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DEVELOPING A WORKING INTERNATIONAL
ORDER—POLITICAL, ECONOMIC
AND SOCIAL

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EDITED BY

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P R E F A C E

FOR every generation the problems of the immediate present have a peculiar urgency. They press for prompt solution, too often obscuring the longer view. This may be as true today, as it ever was; yet on every hand there is impressive evidence that the peoples of the world have seldom been so keenly aware of their responsibility for the generations to come. Throughout this volume of the PROCEEDINGS of the Academy, dealing with the development of a working international order, the "making of tomorrow" is a recurrent theme. It appears in every discussion, whether the subject be the Inter-American System or international finance, the Export-Import Bank or the Trusteeship System, the fate of displaced persons or the work of the Economic and Social Council, Soviet economic policies or international justice through law. The dominant note, however modified at times by apprehension, is a confident optimism which is the more reassuring because it is voiced by those who have resolutely faced the most disturbing problems of our time.

The Officers and Trustees of the Academy express their gratitude to all who participated in the Sixty-Sixth Annual Meeting held at the Hotel Astor in New York City on November 7-8, 1946. The success of the two-day sessions was a tribute to the careful planning of the Committee: Grayson L. Kirk (Chairman), Miss Ethel Warner (Director), W. Randolph Burgess, John L. Collyer, John W. Davis, Lewis W. Douglas, Nicholas Kelley, Thomas W. Lamont, Sam A. Lewisohn, Henry R. Luce, Charles Merz, Frederick C. Mills, Wesley C. Mitchell, Shepard Morgan, William L. Ransom, George Roberts, David Sarnoff, George A. Sloan, Juan T. Trippe, Eliot Wadsworth, Leo Wolman.

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PART I

INTERNATIONAL POLITICS AND INTER-NATIONAL ORDER

INTRODUCTION *

GRAYSON L. KIRK, *Presiding*
Professor of Government, Columbia University

I HAVE great pleasure this morning in opening the first session of the Annual Meeting in the Sixty-sixth year of the Academy of Political Science.

It is appropriate at this time, when the General Assembly of the United Nations is holding its first major session within a few miles of our own meeting place, that the Academy should open its fall meeting with a consideration of the relationship between international order on one hand and international politics on the other. May I say somewhat parenthetically that this coincidence of the meeting of the Academy and the meeting of the General Assembly has its unhappy aspects for you who are here this morning, because it has prevented Senator Austin from taking part in this morning's program as he and we had hoped would be possible, and it has become incumbent upon me in his absence to undertake to express some of my own views on this subject which he could have discussed so much more adequately for you. Naturally I do not pretend that what I shall have to say during the next few minutes will in any way be the equivalent of what Senator Austin would have been able to say to you, for it would be very unfair of me to add, even in a small way, to his already heavy burdens.

* Opening remarks at the First Session of the Annual Meeting.

THE UNITED NATIONS AND MAINTAINING PEACE

GRAYSON L. KIRK

OUR subject is a timely one because the American people are just now beginning to realize that the task of maintaining international peace is one of infinitely greater difficulty than they had hoped a year or so ago that it might be. There has been a persistent tendency in American thinking to view international organization as an alternative to international politics, and to believe that if a proper kind of coöperative organization could be established among the sovereign states of the world, then the danger of another war would be minimized to a point where it would cease to have any threat value for us. In part, this attitude has stemmed from a long-standing American distrust of what we usually call "power politics", and a belief that through effective organization we could eliminate power politics and replace them with a kind of mystical international coöperation, without sacrificing any of our national sovereignty in the process. You will recall that when Secretary Hull came back from the first meeting in Moscow he made a report before a joint session of Congress in which, referring in laudatory terms to the Moscow Declaration, he made the comment that the signature of this declaration and the creation of the new international organization which it foreshadowed would have the effect of eliminating power politics and of replacing them with international organization.

Now that we have such an organization and are playing a leading rôle in its operation we are beginning to realize that this was fundamentally a serious misconception, and that, in reality, the operation of an international organization such as the United Nations can be carried on effectively only through the instrumentality of international politics. In other words, we are becoming increasingly aware of something which we should have known, all along, namely, that a coöperative international organization of sovereign states would tend quantitatively at least to increase, rather than to diminish, the scope of the international

political process. Far from being out of power politics, we are now enmeshed more deeply in them than at any time in our national history.

A second wartime illusion which we cherished was that the creation of an international organization of the United Nations type would automatically ensure the future peace of the world. In its understandable anxiety to prevent a recurrence of the fiasco of 1920, our State Department, in an attempt to win support for American membership in the United Nations, laid great stress—some of us believe, too much stress—upon the prospect that the organization would give us that assurance of future peace which all of us so greatly desire. But now, when the organization is fully in being, and when we have not yet concluded the process of peacemaking with our former enemies, the air is filled with the talk of another war. The disillusionment concerning the peace-keeping possibilities of the United Nations today is almost as great as the wave of optimism with which its creation was hailed only a little over a year ago. If this continues for any period of time, it may so undermine our belief in the United Nations as to impair not only our participation in it, but its over-all usefulness as well.

In other words, after having pinned excessively great hopes upon the organization, we are now almost to the point where we have lost all hope in its value. Truly, it is a time when we should begin to take stock as to what this new organization can do, and what it cannot do, for the maintenance of the future peace. Only by so doing can we check this dangerous reaction and make a proper evaluation of the inherent relationship between international politics and international order.

To begin such a revaluation, we must note the conditions under which the organization was established and the mechanism which it provides for the keeping of the peace. With your permission, I shall try to deal with each of these topics briefly.

The first precedent condition was the widespread belief that the main problem was that of designing an organization which would avoid all the structural and procedural faults of the League of Nations. It was widely believed that the failure of the League was predominantly the result of inadequacies of these two kinds, and that by careful draftsmanship it would be possible to devise a new organization which would be strong where

the League had been weak, prompt where the League had been dilatory, and effective where the League had been fumbling. Although it was agreed that much of the League's impotence had been due to its lack of universality in great-Power membership, it was widely held, nonetheless, that success in and through the new organization could be assured if only the structural and procedural mistakes of the past could be carefully guarded against.

The second belief was that the chief guarantee of success in the new undertaking would consist in placing special emphasis upon the measures by which the United Nations could either prevent or repress a breach of the peace. The alleged inadequacies of Article XVI of the League Covenant were particularly singled out for condemnation. This time, it was held, the organization must—to use the popular phrase—"have teeth in it", teeth which would be far stronger than those possessed by the Geneva organization. In place of talking impotently, while future aggressors pursued the bloody tenor of their way, the new organization should be endowed with adequate means to take such prompt and effective steps as would either prevent the aggression from occurring or would nip it in the bud so as to avert a threat to the peace of the world. The aggressor should not only be stopped in his tracks, he should also be made to feel the full weight of retributive justice in such a way as to penalize him for his criminality and to serve as a powerful deterrent to others who might be inclined to embark upon a similarly destructive course. I should add that this special emphasis upon enforcement measures was a natural product of the time. When nations are in the midst of a war of unparalleled destructiveness, they are naturally inclined to think particularly about the means by which aggressive warfare can be prevented, or at least penalized, in the future.

With these two emphases in mind, that is, the need to improve upon the League Covenant and the imperative necessity of making full provision for security enforcement arrangements, let us examine briefly the mechanism which has been set up in the United Nations Charter. I assume that you are all familiar with the general arrangements, and I do not propose to recount them to you in any such detail as to trespass upon the time of

the speakers who are to follow. But I would like to call to your attention the ways in which an effort was made to follow out these two guiding principles of organization.

First, I think it should be noted that the new organization provides a much greater concentration of authority in security matters than did the League Covenant. The Security Council is made the sole repository of effective authority in this matter, and there is no possibility of transferring the responsibility to the Assembly as was done during the League period with respect to the problem of Japanese aggression in Manchuria. The Assembly may discuss questions relating to world peace, but it may not even make any recommendations to the Security Council with respect to matters which are already on the Council's agenda. Further, while the Assembly may receive reports from the Council concerning its activities in this field, it is not empowered to demand an accounting from the Council of its stewardship. Now I do not wish to minimize the importance of the mobilization of world opinion through discussion of a problem in the Assembly, but I would stress the fact that the Assembly has no executive responsibility and no authority to go beyond the stage of discussion and this limited right of recommendation. Except for controversies of a judicial nature which are to be submitted to the International Court, whenever the Council fails to solve a problem successfully, then the whole organization, as such, has failed. Time alone can tell whether this concentration of responsibility will have been wise, but it is easy to see that the decision concerning it was taken with a view to preventing any confusion or division of responsibility such as, in the view of many, prevailed at Geneva.

A second point to be observed is that the Council is given almost unlimited flexibility in enforcement matters. Thus, it may at its discretion decide whether or not to deal with an issue. It may decide freely whether to use instruments of peaceful adjustment provided in Chapter VI of the Charter or whether to turn immediately to the employment of coercive measures. All that is necessary for such a decision is agreement by the Council that such non-force measures would be inadequate if they were employed. Also, it may attempt to freeze a developing situation by adopting temporary measures of a conservatory character. Further, it may decide to make use, for enforcement purposes,

of such regional agencies as may have been set up by groups of members. Finally, it has the widest latitude in deciding upon the measures of coercion to be adopted; in its discretion it may use economic sanctions, diplomatic weapons, or it may undertake any form of military coercion which the situation seems to require. In other words, the Security Council has very few limitations placed upon the methods of enforcement action which it adopts or the means chosen to implement those methods. Flexibility could scarcely be greater.

In connection with the comments which I have just made, may I call your attention to another substantial difference between the Covenant and the Charter: This is the recognition in the Charter given to regional security organizations. You will remember how persistently this problem was discussed during the Geneva period, how the French, notably, struggled for a recognition of the principle that security groupings of states under the Covenant would actually strengthen it, rather than be a source of weakness, by banding together those states whose immediate national interests would be most threatened by a breach of the peace, and who, in consequence, would be all the more ready to act to suppress it. You will recall, further, the equally persistent opposition of other governments who felt that such a principle would detract from the eminence of the League by opening the way for international recognition of alliances and a return to a balance-of-power system.

Now, the view has triumphed that regional groupings are likely to be a source of strength and utility to the general organization. As a result, their existence is authorized and encouraged, and they may act either on their own initiative, in certain circumstances, or as designated enforcement agencies for policies determined by the Security Council. We cannot look into the seeds of time and tell whether this particular one will grow, but at the risk of possible conflict with the views which may be expressed in a later paper this morning, I would take the position that these agencies are not likely to become vital parts of the United Nations security enforcement system. My view on this question stems from my belief that the present distribution of world power, as influenced by military technology, is such that there cannot be many disputes of such a purely regional character that the great Powers on the Security Council will be willing

to concede any large measure of enforcement responsibility to a regional organization.

Another principle which has been much in the limelight of public discussion is that of the requirement of unity among the great Powers as a necessary prerequisite for any enforcement action. This is not the proper occasion to enter into a long discussion of the much debated "veto" in the Security Council; but I would call to your attention the fact that, in so far as enforcement action is concerned, not even the small-state critics of the veto were opposed to its inclusion in the Charter. It was generally agreed—and I do not see how it could have been decided otherwise—that resort to measures of actual coercion should not be attempted by the Security Council unless those states which necessarily would bear the brunt of the action contemplated would be in agreement concerning it. The chief disagreement has been over whether all enforcement action, beginning with discussion of measures of peaceful settlement, is of such inherent unity that it would be unreasonable, and perhaps even dangerous, not to require great-Power unanimity from the outset. As you know, the American position has held that such unity does not in fact exist, and that the unanimity should not be a bar to the fullest scope of Council action with respect to peaceful settlement activities. The Soviet view has been that such a unity must in fact exist at all stages and that the organization must be designed to reflect it and to support it.

Somewhat parenthetically, I should like to record my own full agreement with the view recently expressed by Mr. Walter Lippmann to the effect that our own perturbation over the veto stems from some popular misconception of the rôle of voting on any issue of gravity in an international organization like the United Nations. A decision of any moment which is taken by a fractional vote of the great-Power members is not likely to be effective as to its immediate consequences, and it may have serious eventual consequences which may affect adversely the position and work of the entire organization. In other words, while the overly liberal use of a veto may impair the effectiveness of the organization, its existence for all decisions of consequence is not only desirable but necessary for the successful functioning of the organization. I venture to suggest that if, tomorrow,

the Soviet Union were suddenly to reverse its present position, and to propose the entire abolition of the veto, the United States would change its present attitude almost immediately, for it might feel that, in time, the existing situation might be reversed and the Soviet group of states might have the predominant voting strength in the organization; in which case we would attach quite as much importance to the veto as the Soviet government now does.

Time does not permit me to go into a discussion of such mechanical parts of the system as the military agreements or the work of the Military Staff Committee, but I have tried to point out what seem to me to be the salient features of the United Nations security system.

The final question, of course, is: What is the presumptive effectiveness of this system in maintaining world peace? Clearly, it is not an organization which can guarantee the peace of the world. It cannot deal with disputes among the great Powers, except by way of facilitating their peaceful settlement if that should be possible. It cannot coerce any great Power into the path of peace. Such a thing would be beyond the power of any organization of sovereign states, each of the greatest members of which possessed such immense reserves of military potential. Only the creation of some kind of superstate, involving disarmament of the existing national units, could *assure* peace among the great member units. The United Nations is not this kind of an organization, and there are many valid reasons which lead me to doubt whether it could or should be transformed into such an organization in the near future. It is equally true, and for the same reasons, that the United Nations cannot maintain peace through the use of coercive methods against smaller states which are, in any sense of the term, satellite states of the great Powers. Therefore, we are forced to the conclusion that the use of all this enforcement machinery is virtually limited to smaller state controversies in which none of the great Powers is so involved as to wish to block enforcement action by invoking a veto. If this is true, then the actual rôle, in so far as enforcement is concerned, is likely to be unimportant. This conclusion is significant, in view of the great stress which was initially laid upon the need to endow the organization with "teeth".

Does all this mean that the United Nations is impotent and useless as a mechanism for keeping the peace? Not at all. If you agree with me that the basis for all action through the organization is that of political agreement, particularly among the great-Power members, then we come to the realistic conclusion that the major utility of the organization is in facilitating the creation of that basis of agreement. I do not mean to say that the mere existence of the organization will ensure the discovery of areas of agreement, but I do believe that, because it exists, the task of political accommodation will be easier than if no such organization had been created. In my judgment, this is not a conclusion of pessimism, especially if you agree with me that there is a considerable value in the public airing of views on matters which are in sharp controversy. Through its existence, the United Nations ought to be able to help to keep the peace by formalizing obligations of pacific action, by providing a forum for the mobilization of world opinion, and, above all, by providing the opportunity for an organized and persistent search for those areas of political agreement the discovery of which will be our best guarantee against a future war. If we reject or minimize the importance of the United Nations because it is not a perfect instrument, then we will jeopardize any opportunity that it might otherwise have had to evolve into an instrument of a more perfect union of the peoples of the world. If we take the absurd position that, in order to have peace, we must, now and at this moment, have "One World or None", then assuredly we shall have none. But if you believe, as I do, that the United Nations security system contains within it the seeds of great promise, then our conclusion is one of optimism which, though measured, is nonetheless real.

REMARKS

CHAIRMAN KIRK: Our second speaker this morning is a man who needs no particular introduction to the Academy audience. He has had unusual opportunities for public service in the field of the relations between the United States and the other republics of this hemisphere to the south. As a former Coordinator of Inter-American Affairs and subsequently as Assistant Secretary of State, Mr. Nelson Rockefeller has been one of the leading formulators and one of the leading students of American policy with respect to the whole Inter-American System, and on behalf of the Academy I am exceedingly happy to be able this morning to present him to this audience to discuss before you the "Inter-American System and the United Nations". Mr. Rockefeller!

MR. NELSON ROCKEFELLER: I know this is not a forum discussion, but, should it be permitted, I would like to comment for a second on some of the very interesting remarks that the Chairman made. It seems to me that he pointed out in the early part of his discussion some fundamental points which we all ought to carry away with us, one of which was the fact that the American people had accepted the United Nations and our participation in it as an automatic guarantee of peace, and that today there was considerable disillusionment developing because of a fear that that would not happen.

It would seem to me that perhaps that is a very healthy thing, because if we were to live under that illusion, that by being members we did not have to do much except participate in the activities of the Council automatically, there would be no hope that we would be able to maintain peace and security. Only by a realization that we have to participate actively in world political affairs as a constructive, dynamic nation will we be able to achieve the purposes for which the organization was created. Therefore it seems to me that the position was extremely well taken and the point very timely.

Another point that I would like to raise, simply because these have an indirect bearing on the subject of my remarks, is the special emphasis that was placed on the security functions, the enforcement functions, of the organization at the time of its formation, because of the fact that the war was still on. I feel that we must evolve beyond that point in our thinking to a realization of the tremendous significance of the economic and social aspects of the organization's responsibilities. I want to touch on that in my own remarks, but I just wanted to recall the Chairman's remarks.

There is one other point that I would like to make and that is the statement that he does not feel that regional arrangements will become a vital part in the maintenance of world security through enforcement action. Should he limit his remarks to the enforcement action phase of world security, perhaps I could agree with him very strongly, but it would seem to me that we should not think of peace and security solely from the point of view of enforcement action. If a regional association, such as the one we have in this hemisphere which has grown out of many years of free, voluntary association, can create conditions and maintain conditions which prevent the necessity of enforcement action, then the association has made a tremendous contribution to the maintenance of peace and security. In my opinion the Inter-American System has in the past demonstrated that ability and will continue to do so in the years that lie ahead. So, if you will excuse these comments on the very able and comprehensive speech made by the Chairman, I shall proceed.

THE INTER-AMERICAN SYSTEM AND THE UNITED NATIONS

NELSON ROCKEFELLER

TO DAY humanity as a whole as never before in the history of the world shares in common a fervent desire for lasting peace and security. This common aspiration is shared by peoples of all ideologies, all nations, all races and all creeds. The people of this country, together with those of many other lands, seek this peace and security within a framework of spiritual and individual freedom, of respect for human dignity and the opportunity of free men to work together through the sovereign governments of their own choosing. Without such freedom, respect and opportunity, there can be no lasting peace and security.

Almost overnight due to the extraordinary advances in science and the result of the war, the people of the world suddenly find themselves drawn together in a community of nations. However, there has been no comparable rapid evolution in their mores, in the conditioning of their beliefs, their patterns of thought and reactions. While heads of state and ministers of foreign affairs are able to gather in any one of the capitals throughout the world within a space of a little more than twenty-four hours, the people whom they represent are often centuries apart in their thinking. Until these chasms between the patterns of thought and reactions of different peoples can be bridged, the tasks of their representatives in the United Nations will be difficult and will often seem insurmountable, requiring great patience, tolerance and understanding. There is a common ground, however, which is developing and which can bridge these differences. This common ground is the change-over from primary concern with the rights of sovereign states to concern with the rights of peoples.

While the United Nations has not been in existence long enough to give full expression to this concept (as M. Spaak has pointed out, the United Nations may be weak, but it is indispensable), its development must be progressively in this direc-

tion if we hope to preserve the existing peace and lay the foundations on the basis of which free men can find opportunity and security.

In this hemisphere one of the reasons for the great strength and steady development of the Inter-American System during the past fifty years has been that the people of the New World share in common certain fundamental beliefs, hopes and aspirations. These bonds have grown primarily out of the common aspirations of the people for the respect of human dignity and freedom.

It would be unrealistic to consider the function of the world organization, to say nothing of its relations with the Inter-American System, without for a minute considering the position of the United States in world affairs today. Whether we like it or not, it is impossible for the United States to avoid the responsibility and influence which go with our extraordinary power.

They can become negative forces unless we exert consistent, positive leadership in world affairs, a progressive, liberal leadership constantly working for freedom and democracy at home and abroad, a leadership dedicated to the realization of those goals set forth in the Bill of Rights, a leadership which recognizes and adheres to moral and spiritual values and champions the greatest possible development of the material well-being of mankind throughout the world, a leadership based on clear objectives—a national purposefulness—which is so strong and convincing that its current will be felt throughout the world, giving hope and courage, a sense of security and confidence to the peoples of all lands.

That purposefulness must include the perfecting of our own system at home in the sense of carrying forward toward the attainment of the goals of social progress and freedom of opportunity, and the development of an economic stability which will prevent the booms and depressions which have had such devastating effect in the past at home and abroad. We must make democracy a dynamic force working not only in the interests of the people of our own country, but in the interests of the people of the world as a whole—a force not to oppress or oppose or dominate any other system or group, but a force which will serve the best interests of all peoples.

A nation's foreign policy can only be a reflection of its domestic policy. Our foreign policy will be a bankrupt foreign policy unless it is backed by a progressive democracy. If the forces which make up a democracy at home can demonstrate to the world the ability to produce or create a sound economic structure—to progress socially—they have at the same time demonstrated that democracy offers to the peoples of the world not only the promise of political liberty but the promise of economic advancement.

Two world wars should have proved to everyone's satisfaction that the peace of the world is indivisible, and thus the United Nations was created to make possible the attainment of the universal objective of peace and security. Of paramount importance in the creation of the world organization, was the determination of the appropriate relations of the member nations and the regional associations of those nations to the world organization.

This question was the subject of much discussion and debate at Dumbarton Oaks, Mexico City and San Francisco. Fortunately for all concerned the sequence of these three meetings afforded the opportunity for a logical development of the steps necessary to permit a sound and constructive integration of the Inter-American System within the framework of the world organization. The question was first raised at Dumbarton Oaks, and was the subject of intensive study at Mexico City.

Since the time of Simon Bolivar members of the Inter-American System have always thought of it as an integral part of the world scene, both by reason of the cultural and economic ties to Europe as well as from the point of view of the concept of world order, based on international law and justice.

In keeping with this tradition the American republics unanimously adopted a resolution at Mexico City endorsing the establishment of a general international organization in which they state "that the American Republics represented in this Conference are determined to cooperate with one another and with other peace-loving nations in the establishment of a General International Organization based upon law, justice, and equity; that these Republics desire to make their full contribution, individually and by common action in and through the Inter-American System, effectively coordinating and harmonizing

that system with the General International Organization for the realization of the latter's objectives."

The delegates were equally convinced of the importance of preserving the great gains which had been made during the past fifty years through the gradual evolution of the Inter-American System—a system of voluntary association of free sovereign nations built on trust and confidence, mutual respect and common beliefs—an association dedicated to continental unity, an association pledged to peaceful settlements of differences and common problems through consultation, conciliation and arbitration, an association which had solemnly pledged itself to the principle that an attack against one should constitute an attack against all. It was an association of more than fifty years, which reached a high point of mutual trust and confidence under the leadership of President Roosevelt whose policy of the Good Neighbor has been unequivocably embraced by the peoples of all the Americas.

The Act of Chapultepec, which was adopted at the Mexico City Conference, called for a reciprocal assistance pact and specifically provided for the integration of this regional pact within the world organization to be created. It is stated in the Act of Chapultepec: "The above Declaration and Recommendation constitute a regional arrangement for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action in this Hemisphere. The said arrangement, and the pertinent activities and procedures, shall be consistent with the purposes and principles of the General International Organization, when established."

Thus the thinking was well advanced and the groundwork was laid on the subject of the relationship of regional arrangements to the world organization by the time the delegates arrived at San Francisco. At San Francisco the appropriate functions and responsibilities of the regional arrangements within the framework of the world organization were worked out and defined in detail in Committee 3 of Commission 3 on Enforcement Arrangements and in Committee 4 of Commission 3 on Regional Arrangements and in numerous meetings of the Big Five.

I think it is worth mentioning at this point, in view of what happened in the elections on Tuesday, that Senator Austin, who unfortunately could not be here this morning, was a member of

the United States delegation at Mexico City and sat on the committee which worked out the Act of Chapultepec. Through his deep understanding of the part of the United States in world affairs and his leadership in the movement for continuing participation in those affairs, he was able to play a very significant rôle in the formation of the Act of Chapultepec and its proper and appropriate integration into the world organization. At San Francisco Senator Vandenberg was the member of the United States delegation on Committee 4 of Commission 3, which was responsible for working out regional arrangements. Because of his fairness and his sincere belief not only in a bipartisan foreign policy for the United States but also in our participation in world affairs, he was able to bring about the final integration of the two systems, particularly from the point of view of future functions. So we see the continuity moving forward and, from the point of view of world organization and regional systems, I believe we need not feel concern over the impending change in leadership in the Senate and the House. It seems unlikely that there will be a repetition of our experiences after the last war, when a similar political change took place.

The conclusions reached at San Francisco recognized and made possible the preservation of the great values developed within the framework of the Inter-American System. In Article 52 it was stated: "Nothing in the present Charter precludes the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action, provided that such arrangements or agencies and their activities are consistent with the Purposes and Principles of the United Nations."

It further goes on to recommend the encouragement "of the development of pacific settlement of local disputes through such regional arrangements or by such regional agencies either on the initiative of the states concerned or by reference from the Security Council." In Article 53, the Charter further states that "The Security Council shall, where appropriate, utilize such regional arrangements or agencies for enforcement action under its authority."

It rightly safeguards, however, the over-all authority of the world organization by making provision that "no enforcement

action shall be taken under regional arrangements or by regional agencies without the authorization of the Security Council."

Because of the danger, inherent in the power of veto given to the permanent members of the Security Council, that at a time of crisis the Council might be deadlocked and unable to take effective action, at the insistence of the small nations the further provision was included that "Nothing in the present Charter shall impair the inherent right of individual or collective self-defense if an armed attack occurs against a Member of the United Nations, until the Security Council has taken the measures necessary to maintain international peace and security." This preserved the right of individual nations or groups of nations to take necessary measures for self-defense until appropriate action by the Security Council.

Now let us examine action falling within the framework of responsibility of the Economic and Social Council.

Important as are the security functions in the preservation of the peace, the work in the field of economic and social coöperation will be even more important in the long run because it is dedicated to the creation of "conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples." It is the accomplishment of these goals which will remove the great majority of the causes of war. Thus the United Nations in Article 55 pledges itself to promote:

"a. higher standards of living, full employment, and conditions of economic and social progress and development;

"b. solutions of international economic, social, health, and related problems; and international cultural and educational cooperation; and

"c. universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion."

At Mexico City only two months earlier, the delegates to the Inter-American Conference had unanimously adopted a resolution calling for coöperation in accomplishing the same broad objectives. That resolution stated that "The fundamental economic aspiration of peoples of the Americas, in common with peoples everywhere, is to be able to exercise effectively their

natural right to live decently, and work and exchange goods productively, in peace and security."

In order to further these objectives, it was unanimously resolved at Mexico City to establish a permanent Inter-American Economic and Social Council to take the place of the emergency Inter-American Financial and Economic Advisory Committee. This new body was empowered "to maintain liaison with the corresponding agency of the general international organization when established and with existing or projected international economic and social agencies."

Thus it is evident that both the Inter-American System and the world organization share common objectives in these all-important fields, and provision has been made for the integration of their respective mechanisms. The world organization must work out the over-all patterns and the Inter-American Economic and Social Council must aid in carrying them out while at the same time coöordinating and initiating programs of a purely inter-American character.

The practicability of this type of collaboration is well illustrated by the experience of the International Labor Organization created by the League of Nations. After operating on a world basis for fifteen years, the ILO finally came to the conclusion that in order to obtain positive results it would have to operate not only on a functional basis but on a regional basis as well; and therefore, for the past ten years, it has been holding inter-American regional conferences and has developed its organization along regional as well as functional lines. I think this is a very interesting practical experience in international coöperation and an example of the relation of world organization to regional activities.

We have the necessary mechanism on both a world basis and a regional basis, and adequate provision has been made for their effective integration. But let us be frank and realistic—the effective function of the structure within this international framework will depend on the attitude and action of the individual nations. As a nation particularly blessed in a world of suffering and poverty, we can either carry on with a breadth of vision which permits us to encompass our own realistic self-interest in terms of the general welfare and prosperity of the people of the rest of the world, and increasingly become a gen-

erating force in a new era of world prosperity and human well-being, or there is real danger that we may become the most hated and feared country in the world, thus undermining our own security and well-being as well as that of the people of other lands.

The traditional modes of international economic collaboration are no longer sufficient—we need new and broader avenues of international economic relationships based on the principle of individual freedom and initiative within a framework of inter-governmental coöperation.

The international exchange situation is such that we cannot hope to deal decisively with the economic and social developmental problems of the world exclusively on a loan basis. To accomplish these objectives, United States equity capital, technical know-how and managerial skill must go forth on an unprecedented scale and take part in the economic and social development of the world on a partnership basis.

Unless the real wealth of the people throughout the world is increased, unless we coöperate effectively with the hundreds of millions of people in such areas as Europe, Asia and Latin America with the result that they may expand their production to a point where they have sufficient earning power to increase their standard of living and to enable them to exchange goods on an international basis, we cannot hope for permanent peace and security in the world. In order that the United States play the part which is its responsibility in accomplishing this result, we must be prepared to take the steps which will be necessary to stimulate and supplement the existing institutions for the flow of equity capital.

The problems are great, and only by exercising patience and tolerance and by using the kind of resourcefulness and imagination which have made this country what it is today will we and the other nations achieve the goals to which the peoples of the world universally aspire. The international mechanisms have been created, the basis for the delicate adjustments of their inter-relations have been effectively worked out. It now only remains for the leaders of the individual nations to use them wisely. This they can do if they make their primary concern the rights and welfare of the people.

REMARKS

CHAIRMAN KIRK: Thank you very much, Mr. Rockefeller!

I can think of no person whom I would rather present to discuss this next topic on our program than the man we have with us this morning. Throughout a distinguished career of a quarter of a century, when he has spent his spare time as a professor of international law at Harvard, Manley Hudson has had the opportunity to serve as a legal adviser to innumerable international organizations and governments. He has had time to do a great deal of important writing in the field of international law and jurisprudence. He has had in addition to that an opportunity to serve in a practical capacity as a member of the Permanent Court of International Justice.

It is therefore a source of very special gratification to the Academy that we are able to present to you this morning Judge Hudson who now will discuss for you the topic of "International Justice and International Order".

JUDGE MANLEY O. HUDSON: This topic, "International Justice and International Order", is not of my phrasing. I suspect that some of you may have been as puzzled about it, as I was in attempting to prepare a few remarks. I am sure that in this field none of us wishes to pose as a prophet. For my part, I find my spectacles very limiting when I try to look into the future. I believe Thomas Jefferson said that in his wildest moments he found it impossible to look further into the future than nineteen years. He chose the figure nineteen because he said nineteen years is the period within which a majority of the adults living at any one moment will be dead. Well, if Thomas Jefferson limited himself in his world to nineteen years, I think it would be more becoming for me to limit myself in this world to nineteen months or perhaps you would substitute nineteen days.

INTERNATIONAL JUSTICE AND INTER-NATIONAL ORDER

MANLEY O. HUDSON

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Formerly Judge of the Permanent Court of International Justice

JUSTICE is a word in everyman's vocabulary. It has a pleasant ring in everyman's ear. It flows trippingly off his tongue. It expresses a universal aspiration. Yet it is applicable in international relations only where standards exist for the common judgment of many peoples. If such standards be lacking, justice may be a term in the vague, and its effect may be chiefly rhetorical.

In international politics, it would be a hazardous venture for one to seek the solutions of current problems solely on a basis of what he considers to meet his own conception of justice. The conflicting claims to Trieste, for example, cannot be disposed of on that basis. The future of Palestine could not be charted on a simple basis of justice. He would be a bold person who would endeavor to foresee a peace treaty with Germany according to his own dictates of justice. In such matters, the lodgment of power is bound to be dominating, and only time can seal the fate of any decision which may be reached.

This is far from saying, however, that concepts of justice should have no part in forging our approach to political solutions. To make that possible the existence of machinery is required—machinery for consultation, for free exchange of ideas, for conciliation of opposing views. Quite appropriately this is recognized in the preamble to the Charter of the United Nations, where the establishment of "conditions under which justice . . . can be maintained" is set forth as one of the ends to be achieved in international organization.

Fortunately, our international order does not rest merely on the shifting sands of politics. Painfully and laboriously over a period of three hundred years we have been attempting to build a system of international law to serve as a foundation stone of

an international order. As a result, one may say today that we have in existence a vast body of international law upon which justice can be predicated—a justice according to law. It is not contained in any code. It is not to be found on a ready-reference shelf in a public library. Its sources are diffuse, and at times their yielding calls for the exercise of highly trained judgment. Yet there is fairly general agreement in the world today as to what those sources are, and as to how they are to be drawn upon.

For a half a century now, chief among these sources have been the great multipartite treaties and conventions to which many states are parties. These constitute a volume of what we can aptly call international legislation, and they exemplify a legislative process which, though often ignored even by professors, has become a normal method for the extension and modernization of the law of nations. If we do not have an international parliament, comparable to a national parliament and clothed with power to legislate for the entire world, we do have the possibility of achieving legislative results through international conferences—some of which, like the International Labor Conferences and the International Conferences of American States, are both recurring and continuous. The process is slow. It requires patience. It is not popularly appreciated. It seems to be unknown to most of the advocates of world government. Yet if one takes the pains to observe it over a period of years, he can trace some remarkable progress in scores of various fields.

In ordinary times, the existing body of international law serves to guide the conduct of states in their day-to-day relations one with another. It is accepted universally, and in general it is habitually observed. No state conceives itself to be without the pale, and no state—not even the hermit state of Nepal—denies that it is subject to this law.

In extraordinary times, however, and particularly during and after a world war, one must expect to see stresses and strains upon any legal system. Aggregated power does not readily bide legal restraints. War breeds contempt for law—and especially is this true if it be waged as a moral crusade. Yet even at the height of such a struggle, each state engaged is but too ready to reproach its enemy with a disregard of rules of law.

It is not surprising, therefore, that in these latter years a tendency prevails to deprecate international law, to belittle its

usefulness, and to impeach its rôle in international order. When the more powerful states set about at Dumbarton Oaks to outline the framework for a general international organization, law was relegated to an inconspicuous place in their proposals. When a few weeks ago the victorious states met in the Conference at Paris to debate proposed treaties of peace, few were the indications that any legal restraints were appreciated, or that conventional international law was to play any prominent part in the enduring peace which was envisaged. Perhaps one must say that as a consequence of the war the influence of international law has sunk to its lowest ebb in more than a century.

Yet a development of this kind generates its own corrective. To quote a passage from a great treatise on international law, written almost sixty years ago: "In a community, as in an individual, passionate excess is followed by a reaction of lassitude and to some extent of conscience . . . it is a matter of experience that times, in which International Law has been seriously disregarded, have been followed by periods in which the European conscience has done penance by putting itself under straiter obligations than those which it before acknowledged."

Already, even in the months since the end of hostilities, efforts are under way to overhaul our existing international legislation, and to push legislative activity out beyond its former frontiers. The General Assembly of the United Nations now has on its agenda an item which calls for consideration of means by which it may implement a provision in the Charter concerning its encouragement of "the progressive development of international law and its codification." The American public is grasping today at a hope, perhaps somewhat exaggerated, that the assize at Nuremberg has somehow revised our outlook upon international law.

One may say, therefore, that the reaction has begun, and, given even a modicum of success for the United Nations, the results can be anticipated, not only without misgiving, but also with some measure of actual optimism. Twenty years of effort can and may lead us into an era in which an extended and strengthened law of nations will supply a mighty buttress to international peace and order, in which new significance will be given to international justice according to international law.

Our path in this direction is not free from temptations. Crackpots will dog our heels, in endeavors to supply us with nostrums. Some of them will urge us to abandon the ways along which progress has been achieved in the past, and to throw overboard the precepts and the practices which we have followed hitherto. With the support of a former justice of our Supreme Court, a new magazine in this country is even now seeking to undermine public support of the thousands of treaties by which international relations are presently ordered. Such irresponsibility may be ephemeral, however. In the long run, we shall probably proceed in the future much as we have proceeded in the past. Some old ideas may be discarded, some new practices may be invented, but we shall have to move within the accepted lines of organization and coöperation, rather than within the lines of visions which even the stoutest advocacy may not bring to realization.

One of the chief weaknesses of our international law in the past has been the lack of a competent organ for interpreting and applying it in the settlement of disputes. Over a century and a half of recent history, several hundreds of *ad hoc* international tribunals were created to deal with particular disputes or particular categories of disputes. A few of them were failures, but many of them functioned with conspicuous success. As a result, numerous disputes were settled, and a jurisprudence came into being which greatly enriched the literature of international law. Yet states remained free to employ or not to employ such tribunals, and many were the disputes which found no competent forum.

A new era dawned when the Permanent Court of International Justice came into existence in 1921. It supplied a competent permanent forum to which states could carry their disputes for adjudication, and it obviated the hazardous necessity for creating tribunals *ad hoc*. Yet so persistent was the reluctance of states to subject themselves to a definite jurisdiction that the Statute of the Court had to leave to each state an option as to the acceptance of its compulsory jurisdiction. Even so, notable progress was achieved, and in the period between two wars forty-six of the fifty-three states which became parties to the Court's Statute exercised the option, and for varying periods of time recognized the jurisdiction of the Court over their legal

disputes. Such jurisdiction was exercised by the Court without incident in a goodly number of cases. One may count this the most significant advance made in international law during the twentieth century.

When the Court was taken over by the United Nations last year and when in consequence its Statute was slightly revised, most states were disposed to register the progress which had been achieved, and they insisted that the Court be given a general compulsory jurisdiction over defined categories of legal disputes. They wished, in other words, to abolish the option. This view might have prevailed at San Francisco but for the opposition of the two most powerful states, the United States and the Soviet Union, neither of which had previously been a party to the Court's Statute. In our case, this opposition was due to a long-standing Senate tradition which had paralyzed our government in this field for at least forty years—the unwillingness of the Senate to permit the United States to be obligated to arbitrate its disputes unless in each particular case the submission was approved by our Senate by two-thirds vote. Faced with American and Soviet opposition, the Conference at San Francisco could only continue the optional character of the Court's jurisdiction as prescribed in the Statute of 1920.

What has since transpired? One would have thought that the states which were so insistent upon giving compulsory jurisdiction would have proceeded very promptly to exercise the option and to file with the United Nations their declarations of acceptance. That has not been the case, however. To date, only three states have filed such declarations, the Netherlands, the United States of America, and China.

It is now obvious that opinion on this matter in America has been in advance both of the Senate and of the government. Senator Morse of Oregon began the fight in the Senate a year ago, during the debate on the Charter, as he put it, "to keep faith with the Charter." As his efforts did not enlist the prompt support of Senate leaders, for twelve months his resolution reposed in the archives of the Committee on Foreign Relations. When public hearings were finally held last July, they revealed a wide and unanimous support for our acceptance of the Court's jurisdiction.

Unfortunately, in the resolution adopted by the Senate on August 2, and in the declaration signed by President Truman ten days later, the substance of the matter was badly mangled. Senator Morse had proposed the exclusion from the Court's jurisdiction of disputes concerning domestic matters, in language following that already in the Charter, but in terms which would have left it for the Court to say what was within our domestic jurisdiction. Many other states had previously made such exclusions under the original Statute. The Senate adopted an amendment offered by Senator Connally which made this apply to disputes concerning matters within our domestic jurisdiction "as determined by the United States." This means that, in a case brought against the United States, we can always disable the Court by saying that the matter is essentially within our domestic jurisdiction; and in a case brought by the United States, the other party can avail itself of our exclusion and disable the Court by saying that the matter is essentially within its jurisdiction. Hence, our recognition of the Court's jurisdiction is severely curtailed.

A second unfortunate change in the Morse resolution was an addition proposed by Senator Vandenberg, which excludes from the jurisdiction accepted disputes under multilateral treaties unless "all parties to the treaty affected by the decision are also parties to the case before the Court." This means a negation of what should be one of the great functions of the Court, what was indeed one of its principal contributions over a period of eighteen years, namely, the interpretation and application of great international legislative instruments. We thus further curtail the jurisdiction conferred, in a field in which the Court's assistance is most needed.

Both of these changes may have direct results which will prove unfortunate. More serious, however, is the fact that they may be copied in declarations made by other states. For, in this matter, there is a great disposition to imitate what other states have done; a formula included in a Belgian declaration in 1925 was followed in declarations by many other states with very unsatisfactory results. If now other states follow our lead in making their declarations, we shall set back very seriously the great progress achieved since 1920.

Our government professes to "look forward to a great development of the rule of law in international relations through a broad acceptance of the functions of the Court in the spirit of the Charter." Yet by our action we may have set back the clock for such a development. Let us hope that other states will honor our banner without attempting to follow our example.

It must now be clear that if peace is to be viable, if it is to rest on the solid foundation of justice, that result is possible only if justice can be administered according to law. An organized world cannot exist without organized justice. The World Court is not merely a "principal organ" of the United Nations. It is the bulwark of our hope for a reign of justice in the world. It will be an effective agency for a realization of our hope only when all states of the world have subjected themselves to its jurisdiction without nullifying reservations. When that time comes, we may conceive of international justice as an integral factor in the international order.

REMARKS BY THE CHAIRMAN

CHAIRMAN KIRK: We thank you, Judge Hudson!

It is fitting that we close our formal papers this morning with a discussion of "Soviet Policy in the United Nations". As we move into this realm of the bi-polarity of international political affairs, we are more and more intrigued by the problem presented by what has been so frequently termed the Soviet enigma. This morning we are to have a discussion of this enigma by Professor Philip Mosely of Columbia University, who is a member of the Russian Institute there. He is a scholar with a special interest in the field of eastern Europe and the Soviet Union and he has had substantial periods of residence in the Soviet Union. Recently he has come back to the University after a long period of governmental service, partly in the State Department as Chief of the Division of Territorial Studies, partly with the European Advisory Council.

It is a matter of very great personal pleasure for me to present Professor Mosely to discuss "Soviet Policy in the United Nations".

SOVIET POLICY IN THE UNITED NATIONS

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BY a coincidence today's session falls on the twenty-ninth anniversary of the October Revolution. From that date we measure the unparalleled exertions which have gone into the political and economic reconstruction of one sixth of the world and the many great achievements of the Soviet peoples. This remodeling of a great country has been strongly influenced in its successive phases both by an all-permeating philosophy of human affairs which, through various permutations, has been held and propagated by the group in control, and also by the characteristics of the human and physical materials with which it has worked. From that date we also trace a succession of efforts to adjust the relationships between the new Soviet state and the other nations of the world. These efforts have been measured in wide swings of the pendulum, always returning in the end to the interdependent aims of preserving the security of the régime and of extending its influence as widely as circumstances permitted, extending it most often through horizontal spread of ideological sympathies, sometimes through territorial extensions, and more rarely through alliances.

In the Soviet relationship to the outside world, one constant factor, despite variations in the degree of the intensity with which it has been expressed at different times, has been a feeling of a unique mission, a feeling of alone-ness as against the rest of the world, a theory of the universality of the Soviet goal combined in practice with a combative and parochial exclusiveness. This attitude gives to Soviet policy a strong tone of self-righteousness. In the realm of the Euro-American cultural experience earlier ideological surges have eventually been tempered by a sense of the possible and by a reversion to skepticism concerning absolute values. It remains to be seen whether the

self-righteous mood in which Soviet policy is at present conducted will be tempered with time and experience. Common exertion in the war against the Axis would, it was hoped, persuade the Soviet leaders that there is a vast field for international coöperation in matters of common concern, and that divergent social and political systems can work together to serve common needs and, above all, the need to assure to all peoples an opportunity to enjoy peace and the fruits of their labors.

It is significant of the latest major swing of the pendulum that in winning through a most grueling and destructive war to common victory the Soviet Union has accepted the obligations of membership in the United Nations and participates actively in many aspects of its work. Moreover, Soviet participation is not based on any direct fear for its own national security. Possessing immense territory, all essential raw materials, the largest single compact mass of population equipped with modern techniques and a European type of culture, as well as the largest single reservoir of man power trained in a rigorous and victorious school of warfare, the Soviet Union shows, in its actions and policies, no sign of fear of attack.

In its approach to the problem of the control of atomic energy, for example, the Soviet government assumes that it would, in the remote case of an armed conflict, be relatively invulnerable to attack by atomic bombs. It believes that it too can develop this weapon within a measurable period of time. Its approach to this question shows that it considers the retention of absolute control over all activities within its territory more important than participating in a universal control over atomic energy which would have to be enforced by a system of international inspection operating also within its territory. At the same time it suits Soviet purposes to believe or to affect to believe that the present American priority in atomic techniques represents a threat to the independence of other nations.

The Soviet government, far from displaying any sense of insecurity, shows an unlimited confidence in its ability to exert a dominant, in many ways an exclusive, influence over large areas which were occupied or liberated by its armies during the

war, and to expand its influence in many parts of the world. The outpourings of intemperate accusation against any governments, powerful or weak, whose views run counter to Soviet views on this or that particular problem, stand out in contrast to the polite reprimands which Soviet diplomats and newpapers issued in 1940-41 to the provocative steps of the Nazi government.

The work of the United Nations offers many potentialities of coöperative action in many different fields. Quite rightly, public attention has centered on the question of its ability to serve the maintenance of peace. In many parts of the world, fears and doubts as to the durability of peace are having a profoundly disturbing effect on public and private plans for reconstruction. Because so much of the work of the Security Council has been determined by the effects of the use of the veto, and because the veto is a subject which lends itself to dramatization, public interest has tended to concentrate on this issue. There is a danger, in part connected with a traditional American concern with constitutional provisions and procedures, of the veto being discussed too much as a detached issue. Unwritten assumptions and habits are of decisive importance for the practical working of any political system. In order to understand the Soviet use of the veto we must examine both the nature of the present controversy over the use of the veto and the ways in which Soviet attitudes and assumptions concerning the operation of the United Nations differ from our own.

The generally agreed assumption, in accordance with which the provisions for the veto were included in the Charter of the United Nations, is that the new world organization, consisting of five great Powers and many lesser ones, cannot coerce any one of the five great states. In a dispute which had developed to a point at which force would have to be threatened or used against one of the Big Five, the United Nations as an organization would not be able to take effective action. At that point only an agreement among the Big Five could avert war. In the negotiations at Dumbarton Oaks and at Yalta there was no real disagreement over this premise. It has, of course, been questioned, both at San Francisco and since, by some states outside the Big Five because smaller states are more worried, naturally,

about a dispute in which the veto-holders fail to agree than about one in which they come to an agreement. No immediately practicable way out of this dilemma has been advanced, except the hope that all the great states will use their power with a due sense of their special responsibilities as signatories to the Charter.

The real disagreement which arose in the formulation of the Charter was over the question of whether the veto would be applied by any of the Big Five in all questions and in all stages of procedure relating to the peaceful settlement of a dispute. One view strongly advanced was that the veto should not be applied in any steps seeking a peaceful settlement, having in mind one of the lessons of past experience, that continued search for peaceful solutions serves in itself to prolong peace and may provide time for world opinion to be felt. The Soviet view was that the full veto power could be applied at all stages in seeking a peaceful settlement, thus in effect allowing each of the Big Five to decide in a given case that its interests would no longer be served by continuing the search for a pacific solution.

At Yalta, after long discussion a compromise was reached, by which it was agreed that, while the veto would apply in seeking a pacific settlement, any one of the Big Five which was itself a party to the dispute would, in this case, be obligated to refrain from exercising its veto. During the San Francisco Conference a persistent effort was made by the Soviet delegation to remove even this limitation on the use of the veto. After direct consultations with Marshal Stalin, the Yalta Agreement was reaffirmed and this compromise was written into the Charter.

In the sweeping exercise of the veto by the Soviet representative in the Security Council we have been witnessing a reversion to the original Soviet position and an attempt, in practice, to put through the Soviet view against the intent of the provisions of the Charter. This, it must be said in all frankness, is a not infrequent Soviet procedure. The same fate has overtaken a number of other hotly debated and closely worded compromises. Behind this desire to claim the advantages of a compromise without accepting its disadvantages or limitations, there is a distinct Soviet assumption as to what should be the rôle of the great Powers within the United Nations, and for that matter in all international relations.

The controversy over the use of the veto is a weather vane pointing to a clash in assumptions which are made concerning the manner and the spirit in which the United Nations are expected to operate. During the conduct of hostilities against the Axis a large number of questions had to be decided. Some were military-political, others were political-military questions. Many of them had to be decided by the Big Three, each of which was free to decide how far it would take into account interests and desires of other governments and peoples who would be affected by these decisions. These decisions, all of which became known sooner or later, were provisional in form but permanent in their effects.

Under the Soviet assumptions concerning the way in which the United Nations should be made to work, it is implicit that a similar procedure would be carried on in the future. In bare outline this would mean that the great Powers—the Big Five, the Big Three, or even the Big Two—would work out agreed settlements of all important issues as they arose and would then proceed, through the joint exercise of their preponderant influence, to secure the adoption of these settlements by the Security Council, and, where appropriate, by the Assembly.

If, as I believe to be the case, the Soviet policy-makers assume that the United Nations machinery should operate in peace as the intermittent machinery for reaching Allied decisions operated in war, they show a serious misunderstanding of the way in which policy is made in this country. It is not within the power or the desire of any individual or group in this country to continue in peace what was accepted as an emergency, wartime method of proceeding to the urgent business at hand—that of defeating Germany and Japan as speedily as possible. In war a president of the United States exercises broad and elastic powers as commander-in-chief of the armed forces. Even in the exercise of these powers he cannot, as Mr. Roosevelt and Mr. Truman were careful to make clear to our allies, commit the country beyond the period of the war. The treaty-making power, whatever the range of executive agreements may be in certain fields, is shared between the executive and the Senate, while legislative action or inaction by the Senate and the House of Representatives determines whether and in what measure a foreign policy will be implemented. Once hostilities

are over, and even before the war powers of the executive have expired, a president is no longer able, politically speaking, to use those powers extensively. The Soviet preference for negotiating great-Power agreements over the heads of the smaller states is not a workable procedure in American policy. It would demand of the American presidency a permanent concentration of authority which it does not possess in peace and which it exercises in war only with considerable self-restraint and with constant deference to public opinion.

The manner in which public opinion and government policy interact in a democracy is often hard for us to explain. It appears to be a complete mystery to persons who have acquired their political experience under the Soviet system. Soviet spokesmen uphold officially, and with genuine emotion, a view which regards a few owners of newspapers as able to dictate the flow and direction of American public opinion. Alternatively, they often seem convinced that public opinion can be manufactured by the government if it were only willing to do so. They seem unaware of the real complexity of the processes through which many currents of opinion are expressed through many media, until, on some issues, it can be said that a public opinion has emerged. They seem unaware of the degree to which policy-making in this country must be sustained or propelled by strong currents of opinion.

The American political system does not lend itself to sudden decisions or sudden shifts in policy, typified in the Soviet decision in August 1939 to come to terms with Hitler. The procedure of full and public discussion by which Americans arrive at major decisions must seem inefficient to our Soviet friends, and full of baffling and irritating episodes. Nevertheless, it offers to other countries an important safeguard in their dealings with us and in predicting the part which we will take in world affairs. The way of public discussion is noisier and more nerve-wracking, but it is the only way we know by which we can achieve a genuinely national policy. Great-Power domination in peacetime would work, over any considerable period, only if public opinion in America were a controlled rather than a controlling factor.

What kinds of issues would, under the Soviet assumption, have to be settled among the great Powers? Whom would the

decisions affect most directly? Few of these issues concern only the United States and the Soviet Union. Of the questions which have been in dispute between the two governments during the past year, only a handful are Soviet-American problems in the narrow sense of the term. Nearly all of them affect the prosperity, the security, or the independence of other countries and peoples. That is one reason why it is not realistic to insist on a direct settlement of all disputed points between the two governments. That is why, from the beginnings of Allied coöperation and while the war was still on, the American government strove to erect the broadest possible framework of post-war international coöperation consistent with the special responsibilities of the few great Powers. This same consideration led it to urge the broadening of the Big Three to become the Big Five. That is why it sought to enlarge the membership of the Security Council and to make the Assembly an important forum for all member states.

Much careful thought was devoted, in the drafting of the Charter, to reconciling the divergent views of the rôle of the individual state within the association of states, and particularly to delimiting the responsibilities of the Assembly and those of the Security Council. The recent action of the Council in removing the question of Franco Spain from its agenda in order to allow the Assembly to take it up may result in setting an important precedent. In this case, as in the dispute over the veto, it is wiser, I believe, to see if practice within the United Nations may not provide its own remedies rather than to attempt at this time to redraft various provisions of the Charter.

Full Soviet participation has been apparent in the work of the Security Council, and in the Economic and Social Council. The Soviet government can also be counted on to take a very active part in the Trusteeship Council. It has not joined UNESCO, although a Soviet observer was present at the preparatory negotiations, nor has it joined the World Bank or the International Fund. It has shown no inclination to rejoin the International Labor Office and has put forth the view that the ILO must first be reorganized to give labor an amount of representation equal to that accorded to governments and employers together.

The only conclusion which can be drawn from this varying record of participation is that in each instance the Soviet government considers the specific costs, implications and advantages of participation. In the case of the financial and monetary institutions it may feel that direct advantages to itself are few and that it is a disadvantage to subscribe to institutions designed to correct some of the instabilities and inequalities which it feels are inherent in the economic development of the non-Soviet world. Day-to-day participation in a wide variety of international institutions is not easy for Soviet representatives inasmuch as the power of decision is concentrated in the hands of a very small group which issues detailed and binding instructions often poorly adapted to securing the best results in a conference.

The Soviet analysis of all interstate relations, including those which are carried on within the framework of the United Nations, is based on the assumption that any specific decision is a reflection of conflicts of interests and is the outcome of the play of the balance of forces both among capitalist countries competing with each other for advantage and between the capitalist and Soviet systems. This conflict need not take the form of an armed collision. In his recent speech to the Assembly Mr. Molotov laid special stress on the concept of the "peaceful competition" of divergent systems.

Both as a reflection of this competition in which they consider themselves engaged, and as a tactic in the competition, Soviet representatives constantly attribute all kinds of extreme motives, such as "fascism", "dictation", "dollar diplomacy", "warmongering", to governments with which they differ, often to the bewilderment, indignation and confusion of the recipients of these "compliments". This method of procedure unfortunately raises each issue, whether it is of substantive importance or purely procedural, to the level of a duel between two systems, and makes it difficult to secure any informal exchanges of thoughts or any consideration of the issue on its merits. This habit of debate grows out of the assumption in Soviet internal practice that in any difference of opinion one view is entirely right and the other abysmally wrong, and that whatever view is ruled to be wrong must be combated with

every means available. One by-product of this habit of absolute judgment is that Soviet representatives in foreign countries seldom appear to be concerned with interpreting to their government the viewpoints of those countries. They seem solely concerned to carry out without the slightest deviation whatever policy has been laid down by their superiors, even in cases where a certain flexibility, at least in procedure, would create a far greater fund of good will.

In its participation in the United Nations the Soviet Union pursues, of course, the same aims which are sought at any given time in its policy in other areas of concern. Events or decisions regarding Germany or Korea, Bulgaria or Japan, are reflected in Soviet policies in the United Nations or in the Council of Foreign Ministers, although the interactions are sometimes obscure and hard to trace. It is a natural aim of Soviet policy to strive to prevent the crystallization of any bloc which might consistently oppose its aims, or to weaken the cohesion of any grouping which, on any given issue, may advance a view which is not favored by the Soviet government.

The selection of issues for emphasis in the beginning of the present Assembly suggests three main issues around which the Soviet delegation may hope to build larger groupings. These are the question of Franco Spain, disarmament, and the establishment of the trusteeships. A skillful and moderate handling of these important issues might greatly enlarge the influence of the Soviet Union and contribute to strengthening the authority of the United Nations. It is more likely, however, that intemperate use of procedural and legalistic quibblings, together with the temptation to make vehement attacks on governments with which there is disagreement on this or that issue, will make it more difficult to reach positive agreements in this Assembly and will tend to harden the already marked lines of division among the Powers.

In the long run the danger is that insistence on the adoption of its own views and on the lavish use of the veto to prevent the adoption of conciliatory measures may result either in rendering the United Nations impotent to act, or in the formation of a group, less than world-wide in extent but, like the present Soviet bloc, more homogeneous and better able to act. Neither of these dangers is imminent, but we must not forget that, if

each new question, whether major or minor, is approached by a powerful state solely as a problem to be solved by the arithmetic of power, the whole conception of a democratic international procedure operating through consultation, conciliation and coöperation will be rendered unworkable.

The best safeguard against these risks is a clear and consistent American policy, formulated in terms of what our people and a great many other peoples wish to see accomplished, supported steadfastly by an informed public opinion, and explained fully and plainly wherever people are permitted to listen and read. Clear, consistent, firm policies pursued by this country will serve as signposts. Fear, or hope, of instability in the political will and in the economy of this country is a prime factor in all political calculations today. Sudden panic at a failure to achieve quick settlement of differences, some of which have been decades and centuries in the making, will not promote confidence in our stability of purpose. Any easy assumption that this or that negotiator will find a quick or a cheap way to establish "trust" will be costly in its application, even though we may not be called upon to pay the first costs. American policy must make it clear that our country intends to take the initiative in pressing for the implementation of the objectives set forth in the Charter. A strong American support of these objectives will contribute more than any other one factor to make the United Nations a working reality and to promote the great purposes of the Charter, which we pursue for ourselves and which we wish to pursue in comradeship with all men of good will.

PART II

PLANNING FOR WORLD FINANCIAL STABILITY

INTRODUCTION *

SHEPARD MORGAN, *Presiding*

SOMEWHAT more than a year and a half ago, the Academy devoted a session to the topic, "Planning for World Monetary Stability". You will recall that at that time two plans designed to accomplish that objective were under active discussion. The memorable conference at Bretton Woods, at which some forty-four nations were represented, had already taken place; and the agreements formulated there had reached the stage of argument and counterargument before Congressional committees. The Bretton Woods Agreements received Congressional sanction about three months after the date of our meeting.

So it appears that the Academy session of April 4, 1945, dealing with the Bretton Woods Agreements took place in the very heat of the discussion pro and con, with the destiny of the plan itself at stake; for, if the United States had not accepted the agreements, it is safe to say that certainly in the form presented they would have failed in most other countries also.

I have been reading the PROCEEDINGS of the Academy for May 1945, which give the text of the papers presented at that April meeting. I commend them to you. I have been impressed with the penetrating analysis to which the speakers

* Opening remarks at the Second Session of the Annual Meeting.

subjected the agreements, but I have been impressed even more by their objectivity and good nature, irrespective of the direction from which the speakers approached the serious issues involved. I quote a line from the paper presented by John H. Williams, "We are embarking upon a great and difficult experiment in a field in which up to now the record has been one of failure."

At this afternoon's session of the Academy the topic is almost identical with that discussed a year and a half ago. Our subject is "Planning for World Financial Stability". Two of our speakers are the principal officers of the two institutions established to give effect to the Bretton Woods Agreements, and they are now engaged in carrying out this great and difficult experiment.

The institution first to be discussed is the International Bank for Reconstruction and Development. As you know, of course, the International Bank is the institution designed primarily to make long-term international loans. It is qualified to do this in two ways: first, by guaranteeing obligations offered from foreign countries in this or other markets; and, second, by lending out its own funds to foreign borrowers with the power, however, to replenish its funds by issuing its own obligations to investors in the market here or elsewhere.

The President of the International Bank is well known, I am sure, to all of us. I knew him first when he was a director of the War Finance Corporation in Washington at the time of the First World War. He became managing director of it in 1921. Then he was Governor of the Federal Reserve Board, a position that corresponds, as you know, to the present position of Chairman of the Board of Governors of the Federal Reserve System. At the same time he was Chairman of the Reconstruction Finance Corporation. In 1933 he resigned and became the publisher of the *Washington Post*, which is in my opinion not only one of the most readable newspapers but also one of the most effective newspapers now being published in the United States.

It is fortunate that Mr. Eugene Meyer was available and ready to head the new International Bank, which can well make use of his wealth of experience. Mr. Meyer!

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

EUGENE MEYER

President, International Bank for Reconstruction and Development

ECONOMIC circumstances set the stage for political action. Indeed, they do more than this. They provide the inescapable conditions under which political relations may be shaped. There is a marriage partnership between politics and economics in which divorce is an impossibility. And because of this marriage, it is as true that there can be no enduring peace without a decent level of prosperity as that there can be no prosperity without peace.

It seems to me peculiarly appropriate, therefore, that the Academy of Political Science should take interest in an institution, the International Bank for Reconstruction and Development, which is designed to operate in the economic sphere. The Academy's sound understanding of the vital connection between politics and economics—and of their joint impact upon social progress—is well attested, I think, by its choice of a general topic for the meeting: "Developing a Working International Order—Political, Economic and Social".

Perhaps it will be useful if I review for you very briefly the genesis of the International Bank and attempt some definition of the functions it was designed to fulfill. The Bank had its origin in a general recognition that the widespread devastation which the war had brought to Europe and the industrial backwardness or underdevelopment of certain countries menaced the economic health of the whole world. It was plain to those who viewed this problem that the capital loans required to meet it would be beyond the capacities of private investors or even of governments acting unilaterally. The problem was of such magnitude that it could be met only through world coöperation.

Accordingly, at the invitation of the United States, representatives of forty-four nations met at Bretton Woods, New

Hampshire, early in the summer of 1944 and framed the constitutions of two complementary institutions—the International Monetary Fund and the International Bank.

The essential objective of the Fund is the revival and expansion of international trade through the promotion of exchange stability and the elimination of the destructive exchange practices which inhibited the flow of world trade before the war.

The essential objective of the Bank is to promote the international flow of long-term capital and to assure funds for the reconstruction of devastated areas and the development of resources in member countries.

Together, these institutions, wisely and effectively administered, can help nations and peoples to raise their standards of living through more efficient production and through freer interchange of the goods they produce. If they succeed in this, they will have laid a sound foundation for the political measures requisite to the maintenance of peace.

The International Bank is not intended to compete with private banks. On the contrary, it is designed to serve as a buttress to private finance. One of its stated functions is "to promote private foreign investment".

Private investors, however, can hardly be expected to make foreign loans until they have some reasonable assurance that the borrowers are approaching a balanced economic position. Credit, if obtainable at all, would presumably be at short-term and relatively high rates. This would not enable the carrying out of long-range tasks of reconstruction and development—the very tasks prerequisite to attainment of balanced economic positions. The Bank must serve during the transitional period following the war to achieve what private banking facilities would not for some time be in a position to achieve.

The Bank is empowered to extend credit in three principal ways. First, it may lend directly out of its own capital funds. Second, it may lend out of funds which it borrows through the issuance of its own obligations in the private capital markets of member countries. Third, it may guarantee, in whole or in part, loans made through the usual investment channels.

Direct loans are to be made by the Bank only when they cannot be floated through the normal channels at reasonable

rates. So, it is clear, I think, that the Bank will serve not as a damper upon private investment but as a stimulus to it, expanding the investment sphere by acting as a stabilizer and guarantor of private loans and by promoting the conditions under which private investment can prove fruitful.

Speaking entirely for myself and not as an official exponent of the Bank's views, I should say that the Bank ought to make every effort, even in the early stages of its operation, to help borrowers obtain from private sources the funds they need. It can do this very effectively indeed either by underwriting the loans when that seems prudent or by participating in them. It is my observation—based, if I may say so, upon a rather considerable experience extending over three decades—that the mere readiness of a public institution like the International Bank to take up any unsold portion of a loan issue gives assurance and encouragement to private investors. And frequently, under such circumstances, they leave nothing for the public institution to take up.

The Bank, charged as it is with responsibility for promoting genuine programs of reconstruction and long-range development of resources in borrowing countries, is very much concerned with the uses to which its loans are put. The funds of the Bank can have little real utility if they are applied merely to the repair of old and obsolescent machinery and the restoration of antiquated production processes.

The great economic need is for a radical modernization of industrial techniques. Only as modernization takes place can countries make their full contribution to the world's wealth and bring themselves into a position to buy—and pay for—the imports they require. Only thus, of course, can they bring themselves into a position to repay to the Bank what they have borrowed.

Increased world trade must go hand in hand with increased production resulting from increased efficiency. There can be no better means of raising living standards everywhere than the ready interchange among peoples of what each is able to produce most economically. And it is equally true that there can be no better basis for friendly relationships and mutual understanding among peoples than commerce of this sort.

I have said that the Bank is necessarily concerned with the uses to which its funds are put by borrowers. Permit me, if you will, to go back to an observation I made more than a quarter of a century ago in connection with the fostering of international investment after the First World War. I remarked in an address to the American Manufacturers Export Association at that time that "credit is a little like some drugs. In the hands of people who know its powers but also its dangers it is the most helpful, useful and healing thing in the world. But like those drugs, with misuse, with carelessness and with habitual indulgence to excess, it can become the most demoralizing, disintegrating and destructive agency." I think that this warning is no less pertinent and applicable today. The credit supplied by the International Bank must be credit that is put to work, credit that is employed to produce wealth.

In reviewing the applications to the International Bank for loans, I find a listing of programs requiring material, machinery and technical man power, all of which it is assumed will be available if funds are available. But money alone, of itself, does not provide materials, machinery and technical man power. It is merely one of the tools to that end.

This brings us to the question of the sources from which materials, machines and skilled technicians are available.

During the war this country mobilized its full resources of man and woman power for production. Every possible stimulus to production was used. While there were interruptions in production, they were not on a major scale. This total mobilization of natural resources, machinery, management and labor enabled the United States to lend its great strength to the Allied cause. It was American production that supplied the tools of our armies and of the armies of our allies.

The International Bank was created and organized on the assumption that America, even after the pressures of war, would maintain a high level of production. It was taken for granted that with our vast productive capacity the materials for worldwide reconstruction would be available if only the financial machinery for adequate loans were available. Our failure to produce these materials as rapidly as was expected has now created a bottleneck of serious proportions.

At this point, may I divert in a somewhat personal way to the subject of the Famine Emergency Committee of last spring. On February 12, in a meeting at the White House, I heard Governor Lehman and Secretary Anderson state that we were about to default on our actual commitments for wheat and fats under the UNRRA program. The result of this failure was projected in terms of starving tens of millions, and even hundreds of millions, of people throughout the world, while our own diet had increased by about 500 calories per capita daily over our pre-war consumption. Some of us were profoundly shocked. We knew that if the American people realized what was happening they would insist upon constructive action. They would resent learning, months later, the dire consequences of a situation on which they had never been fully informed. To be sure, some statistics on the maldistribution of foodstuffs had been published, but the tragic results of our unconscious selfishness had never been fully brought home to the men, women and children of this country.

Out of this situation came the appointment of the Famine Emergency Committee. With the help of the Advertising Council, which sprang into action with remarkable rapidity and efficiency, a self-rationing program was presented to the people of our country. It was carried over the air on most of the major programs and many of the local programs as well. Commentators discussed it at length and frequently. Great quantities of advertising space in newspapers and magazines, paid for by the merchants and manufacturers of the country and many other groups and individuals, were devoted to the subject. Churches and schools coöperated generously. Mr. Hoover made a trip around the world to survey demands for wheat and fats in import countries and to increase the exports of producing countries. In short, every force that could be brought to bear upon the problem was mobilized.

As a result, starvation in many countries was averted. The point of this is that our people, learning the facts of the crisis, willingly shared their supplies with the nations threatened with starvation. They fought for the common welfare in peacetime as they had fought for it on the battlefield. Given information and leadership, the people of the United States can always be relied upon to do the right thing freely and generously.

But there is a starvation now going on in the world concerning which leadership has been inarticulate. The starvation for the products of our fields in the form of food has been succeeded by a starvation no less extensive and dangerous to the welfare of humanity. I refer to the starvation for the products of our mines and factories. Stoppages of production here at home have reduced the supply of many of the materials needed to restore a minimum of economic life abroad. Lending money alone will not supply the products. This industrial starvation will remain acute as long as our production is restricted. Even the world's food supply has been curtailed by stoppages of our production of agricultural implements, fertilizers, coal, automobile trucks and other means of transportation, and of electrical and mining machinery and many other things. In depriving other peoples of the tools they need for reconstruction, we are threatening world recovery and condemning vast numbers of human beings to serious deprivations.

I have no wish to weary you with figures. But a few of them, I think, may be useful by way of illustration. The national coal strike which took place in the spring of this year lasted for 58 working days. It resulted in the loss of 70 million tons of coal. And since then, local strikes here and there throughout the coal mines of the country have cost us in the neighborhood of 175,000 tons every week—coal that might have been available for production but was not.

Now, it seems, we are threatened with a fresh stoppage of work in the coal mines. Let us face the practical impact of it, if it should come. Coal production is running currently at the rate of about twelve million tons a week or two million tons a day. Every day of a national strike, therefore, would mean the loss of that amount.

And the loss would inevitably be felt, as you know, in every phase of the American productive system—in power plants, factories, railroads. At the end of the chain, of course, it would be felt by the peoples overseas waiting hungrily for the products of our industries necessary to set their industries in motion. The maintenance of full production in this country requires every ton of coal that can be mined.

A look at the Federal Reserve Board's index of production reveals disastrous drops in manufacturing output resulting prin-

cipally from work stoppages. The index for pig iron shows a drop from 100 in January to 48 in February; steel in the same months fell from 108 to 46; machinery from 217 to 188. When the General Motors strike took place last fall, the index of automobile production dropped suddenly from 137 in November to 95 in December.

The October report of the Civilian Production Administration discloses that copper, a key production metal, suffered grievously from strikes lasting through March, April and May of this year. Production fell off during that period from 70,000 tons a month to about 20,000 tons. Happily, it is now back at its earlier level.

I say emphatically that the crucial importance of continuous full production for our own welfare and for that of mankind the world over cannot be exaggerated.

We Americans who but recently showed our sympathy for the people of the world by sharing the products of our fields must now become aware that this economic starvation threatens the winning of the peace, the peace for which so many of our boys fought and died and for which so much treasure has been spent.

Although I cannot at this time prove it by statistics, because statistics come only after events, I venture to say that, if we had not had many of these unnecessary stoppages of production, we could have helped the rest of the world by self-rationing for export of part of our industrial production and at the same time have had more of everything here at home.

Your organization is an important one. Political science is your center of interest. National and world stability is your objective. That stability is now threatened by a starvation for the materials with which to reconstruct the devastated areas and to develop the economically backward areas. Why should the students of political science wait, as they have too often in the past, to analyze these grim realities after the event? Why should you not make the immediate need of raising our industrial production your immediate research problem? The key is better labor-management relations. How are they to be obtained with a minimum of delay? Is this a problem for political scientists?

For our present disastrous labor relations I have no disposition to allocate the blame. I do, however, say this with every conviction that is within me—we must find a way of settling our labor disputes without the disastrous strikes which bring about world starvation in a broader sense than the mere withholding of food. As to food itself, the demands upon us will be heavier the longer we lack ingenuity and the sense of responsibility to the rest of the world for the use of our powers to help our fellow men. This sense of responsibility we felt in full measure during the war. Let us feel it now in the same degree and make good the debt to our heroic dead.

To do so would be sound political science, sound human relations, sound religion and sound democracy. It would be the beginning the world over of a new faith in our ability to lead the way toward order, mutual confidence and peace. Given that surge of production here in our country, the International Bank can better play the accelerating rôle for which it was established.

REMARKS BY THE CHAIRMAN

CHAIRMAN MORGAN: Thank you, Mr. Meyer.

You may remember that the discussions on the International Monetary Fund a year and a half ago were acute. There were many critics; and the critics usually wound up with something like this: Maybe this Fund will work if it is run by the right people. I was reading the first Annual Report to the Executive Directors of the Fund which arrived only two or three weeks ago. There is one paragraph that indicates that the directors of the Fund very much have their feet on the ground. If you will let me, I will read these six or seven lines.

It would be a serious mistake to regard the Fund as capable by itself of solving the economic problems the world now faces. It has neither the power nor the resources to do this, nor was it designed for this purpose. The function of the Fund is to aid members in maintaining arrangements that promote the balanced expansion of international trade and investment and in this way contribute to the maintenance of high levels of employment and real income. While the Fund can be of help in this direction, the attainment of these ultimate objectives—high levels of employment and production—must in the end depend upon the pursuit of appropriate national economic policies and upon the solution of other international economic and political problems. No monetary organization, however ably devised, can be a substitute for wise policies in the national and international sphere.

I did not intend to take any of the thunder away from the next speaker. He has been a friend of mine for at least twenty years. I have known him, first, as a prominent, and later as the most prominent, figure in government finance in Belgium. He has had much to do with international affairs and economic matters. He is accustomed to thinking in international terms; and it is a great benefit to the Fund that Camille Gutt is Managing Director of the World Monetary Fund.

THE INTERNATIONAL MONETARY FUND AND ITS FUNCTIONS

CAMILLE GUTT

Managing Director, International Monetary Fund

Introduction

THE recent meeting of the Board of Governors of the International Monetary Fund once again called attention to the work of this organization which will shortly be ready to begin operations. As you are aware, on September 12, 1946, the Fund issued a request for communication of the par values of the currencies of its members.

You know the purposes of the Fund. You know what the forty-four nations had in mind at Bretton Woods in 1944 when they planned the establishment of the eight billion, eight hundred million dollar Fund. But I would like to emphasize today one of the purposes, sometimes overlooked, which is one of the main justifications of that agency. This is to replace the monetary warfare of the past thirty years with machinery for orderly consultation on international monetary questions.

I would like to stress the very important purpose of monetary coöperation because I believe it is the key to the achievement of those other purposes with which you are familiar—exchange stability, multilateral payments, expansion of trade. I want you to see why the existence and the resources of an organization such as the Monetary Fund are really indispensable, if we are to attain the ultimate objective of economic policy—high levels of employment and production—and through it, let us hope, to facilitate other attainments in other fields.

Machinery

You all know the basic structure of the Fund. At the Savannah Conference, J. M. Keynes, using one of his familiar jests, said that our "twins" were incorrectly named, and that the Fund should be called the Bank.

Practically speaking, the Fund through its sales of exchange against currency acts like a banking system. It gives short-term loans against collateral. When a country needs a loan for stabilization purposes, it can apply to the Fund and borrow from it. This is done through a system of quotas. Each country represented at Bretton Woods, and each country which is later admitted to membership, is assigned a quota based on a number of economic factors. This quota determines its subscription and its right to use the resources of the Fund. The subscription is paid partly in gold and largely in national currency.

To visualize the operations of the Fund, it should be remembered that when a country resorts to exchange depreciation or exchange restriction, it is prompted to do so by necessity. More concretely, it is faced with a shortage of gold or foreign exchange reserves with which to finance a deficit in its balance of payments. There is no reason why countries should not help each other to avoid extreme measures which destroy trade and depress the world economy.

All countries cannot suffer a deficit in their balance of payments at the same time. The deficit experienced by some countries is really nothing more than the surplus accruing to other regions of the world. These surplus countries will, in effect, lend, through the Fund, part of their accruing surplus to those deficit countries which need help. That is to say, the Fund helps a deficit country to meet its current needs by selling to that member the currency that has been subscribed by the creditor countries to which it must make payments. Thus, the creditor countries will forego for a time unneeded exchange which they can recover from the Fund when it becomes needed, and the deficit countries will be able to finance temporary deficits in their balance of payments.

These commitments to lend and these rights to borrow are expressed in the Fund quota system. The quota works both ways: it is for the surplus countries the maximum that a country is prepared to lend through the Fund, and for the deficit countries a measure of what they are able to borrow. Except as authorized by the Fund, only 25 per cent of the quota can be used in any one year. The process of lending and borrowing should ideally be a reversing one and should in no case be allowed to continue indefinitely. The Fund loans are short-

term loans and are not to be used to avoid readjustments to correct continuing, fundamental deficits.

The Gold Standard

At this point you may ask why we need the Fund to do this. The gold standard gave us exchange rates that were quite stable, at least for the leading currencies, before the First World War. That stability was in sharp contrast with the situation which we came to know during the last twenty-five years, when we saw even the pound and the dollar fall sharply. Why not go back to the old gold standard?

The fact is that few countries are prepared to restore the gold standard for the sake of attempting to maintain an insecure exchange stability which must give way in every period of stress. It is not out of perversity that there is almost universal resistance to the gold standard. It is simply that, under present conditions, exchange stability cannot be maintained by adopting it.

Countries could maintain the gold standard before the First World War because national economies adjusted themselves to stable exchange rates. Now the structure of national economies makes it more difficult for countries to adjust themselves to stable exchange rates; and they cannot, as a consequence, accept the gold standard. Therefore, if we are to have orderly exchanges, we must have an equally effective means of dealing with modern exchange problems in a way suited to the present world. That is what the Fund is intended to do.

The gold standard cannot work today in the same way as in the early years of the nineteenth century, when gold was itself the principal means of payment. An inflow or outflow of gold was, in effect, an import or export of currency. It acted directly on the volume of money and was presumed thereby to influence the internal level of prices.

The nineteenth century witnessed the development of other means of payment, national in character, like paper currency and deposits. The result was to isolate partially the domestic money supply from fluctuations in the balance of payments. But this superstructure of fiduciary and credit money was based upon gold. Although now one step removed, the principle still remained that the volume of money must soon be affected by an import or export of gold. This change in volume of money

was supposed to act promptly on domestic prices. The change in prices, in turn, was supposed to act rather quickly on the level of exports of the country. So a disturbed balance of payments tended to be corrected by the gold flow it caused.

Of course, after the money supply was dominated by currency and credit, it became necessary for the monetary authorities to take deliberate action (and this has to be emphasized) to secure a contraction of money, when gold flowed out. This was done by a rise in the discount rate. Credit was still available in time of crisis but at a higher rate. In the words of the Cunliffe Committee, the restriction of credit would result in "a decline in general prices in the home market which, by checking imports and stimulating exports, corrected the adverse trade balance which was the primary cause of the difficulty."

A rise in the discount rate was intended to assure the effect of the outflow of gold on prices and exports. But it was also intended to mitigate the outflow of gold by making it more attractive to keep short-period funds in the center which was losing gold. Thus, changes in the discount rate, under the gold standard, were expected to induce equilibrating capital movements which would give a country time to adjust its balance of payments while keeping the exchange rate stable.

In brief, if the gold standard is to work, prices and costs must respond to the balance of payments, and capital movements must be of an equilibrating character. Unless national economies are capable of behaving in this manner, it is useless to go back to the gold standard.

It is a fact that most countries are now unable to allow domestic prices to rise and fall sharply with changes in the balance of payments, and it is also a fact that short-term capital movements have lost their equilibrating character, and too often have become a disturbing influence.

The gold standard requires a subordination of national economic policy to stability of exchanges. A country is supposed to receive the full impact of the inflationary or deflationary pressure from outside and to adjust domestic prices and costs to the international situation. Otherwise its balance of payments would be upset. The only way to adjust a national economy to the international situation is through prices and costs. But an adjustment of prices and costs really means boom or depression.

It must be recognized that few countries are willing to adjust their national economies to external conditions merely to secure stability of exchanges. Just now many countries fear the impact of rising prices abroad on their own price structures. Even greater is the fear of a policy of deflation, which would cause unemployment. Almost no country is prepared to adopt such a policy deliberately.

Deflation is a process which becomes increasingly painful. The economies of the leading industrialized countries have grown more rigid. On account of the roundabout process of production, business and trade find that a fall in prices means heavy losses because costs are incurred a considerable time before goods can be sold. Labor will resist cuts in wages, and social troubles are always to be feared. Then the price structure is less easily influenced.

The Real Objectives

Let us not lose sight of our real ends. Exchange stability is desirable because it facilitates trade and contributes to the maintenance of production and employment. It would be tragic if, in the illusory pursuit of absolute exchange stability, we were to sacrifice the real objective for which exchange stability is desired. I cannot see any purpose in having a country go through deflation and depression to hold on to a currency parity which is fundamentally unsuited to its international economic position.

While countries must take account of the effect of their balance of payments on their domestic economy, that is no reason why they should disregard the effects of their policies on other countries. A free-for-all would only mean retaliation and currency warfare. Such national monetary policies would defeat their own ends. We saw that in the 1930's, when depreciation was used not merely as a remedy for an unbalanced international position, but also as a device to export unemployment by depreciating a currency below the rate warranted by the international economic position of the country. It was what has been very appropriately called "a beggar my neighbor" policy. If we do not want a repetition of monetary chaos, we must replace conflicting national policies with coöperation in dealing with international monetary problems. That is the primary

purpose of the Fund—to provide a means for consultation and coöperation.

We must recognize that there are times when nations do need to change their parities. But that is not a reason why the change in parity should be arbitrary or made unilaterally, without regard for the effects on other nations. If a country must change the parity of its currency, it is wiser to face the fact. The best thing to do is to have the proposed change considered by an international body.

That is what members of the Fund have agreed to do. They have agreed to have recourse to a change in parity only after consultation with the Fund and only if it is necessary to correct a continuing disequilibrium. Of course, that means that an exchange rate that is not suitable will be changed. But it will be an orderly change that will not generate disturbances in the world economy. We need exchange stability; but we cannot have stability if we take a doctrinaire view that there must never be a change in parity. Some critics have said that the Fund is a way of "swimming without getting wet". I think the Fund could more appropriately be called a way of "swimming without being drowned".

The Fund replaces the old but today ineffective gold-standard rule that a country must adjust its national economy to external pressures with a new principle that a country does not have to endure inflation or deflation from abroad. But, at the same time, it places upon a country the obligation not to impose inflation or deflation on other countries. Unless a change in its exchange rate is necessary to avoid inflation or deflation, it must keep its exchange rate unchanged. And, of course, the Fund can concur or object on any proposed change in the parity of a currency.

That in itself is, of course, only a first step. The second and equally important step is to help members maintain exchange stability. Under the gold standard, short-term movements of capital were supposed to help countries to tide over difficult periods. Before the First World War, they were mostly of an equilibrating character. During the last twenty-five years when we had such movements, they were quite often of a disequilibrating character, what was called "hot money". Balances shifted from one center to another for speculative or

for political reasons. They could and, in some cases, did induce inflation or deflation in a country.

For exchange stability, we need an effective equivalent of the short-period capital movements of the old gold standard. Indeed, in this respect even the old gold standard was not entirely satisfactory. A rise in the discount rate in a great financial center might attract short-term funds from other countries. Thus, the liquidity of one country was increased by decreasing the liquidity of others. But in time of pressure on the balance of payments, what may be necessary is an increase in aggregate external reserves—an increase rather than a shift in liquidity. This is a task the Fund can fulfill.

The Fund grants temporary assistance through short-term loans. It helps a country maintain exchange stability when it is threatened by temporary difficulties. To be sure certain conditions must be met. A country cannot use what it borrows from the Fund in a manner contrary to the purposes of the Fund. The credits are short-period credits; they cannot be used even for relief or reconstruction. But the important point for monetary peace is that every country knows that when it needs credit to tide itself over a temporary disequilibrium, it can get it. This assurance encourages and helps a country to abide by its obligation to maintain orderly exchange arrangements.

Just one more remark. As the structure of our industrial economy changes, the means for dealing with economic problems must be adjusted to new conditions. Otherwise the economy breaks down. That does not require a change in objectives; but it does require a change in techniques. The gold standard was fundamentally a means of securing a common international monetary policy. With the more rigid structure of the present industrial economy, the gold standard can no longer perform this function. The members of the Fund have agreed to pursue a common international monetary policy—that is, national monetary policies that do not conflict with each other and result in international confusion—through consultation and coöperation. Here is a practical approach to the problem of exchange stability. I do not say this approach is perfect; but I do believe it can work.

Conclusion

A fortnight ago, I had the honor of being invited to the opening meeting of the first session of the United Nations. I listened to the successive speeches, one by the Deputy Mayor of New York, one by M. Spaak, one by your President.

In all those speeches there were expressions of hope in the future. But underlying them was an appeal, an urge, which went far beyond the terms in which they were worded. There was a ring in them which, to my mind, meant that it was now or never, that the world could not afford to face a new failure, that we had not the right to let an opportunity slip, however difficult it might be to seize it.

This has been my feeling ever since I became Chairman of the Fund. I said, that day, to my colleagues who had just elected me: "This is a unique experience; we have got to make it a success." I feel it now imperatively every day. The job may be difficult, hazardous, imperiled, or even made impossible by factors beyond our control. This is no reason not to get to work. Around the table of our Board there is an immense amount of good will, and, I think I may add without appearing to boast, of knowledge and common sense. I may assure you that all those resources will be used to the utmost to contribute to the establishment of monetary stability, with all its happy implications.

REMARKS

CHAIRMAN MORGAN: Thank you, Mr. Gutt.

I may exaggerate a little when I say there have been few economic discussions in the United States of first importance which have not been brightened by the next speaker. Mr. Jacob Viner, now at Princeton University, is one of the most influential educators, and I think one of the wittiest speakers that I know. Mr. Viner!

MR. JACOB VINER: I will start out by disputing the Chairman. I assure you I am not going to be funny today. On the contrary, I will be as serious as I know how to be.

AMERICA'S LENDING POLICY

JACOB VINER

Professor of Economics, Princeton University

I HAVE been asked to speak today on "America's Lending Policy" in the general setting of a program designed to deal with "Planning for World Financial Stability". I will endeavor to carry out my assignment, but I hope I will be forgiven if, before I conclude, I say something also about America's lending policy in a critical state of world affairs when planning for world financial or any other kind of stability seems a little like planning the repainting of a house when instead there should be a call to the fire department to put out a fire in the basement.

Of all the great countries, we alone have emerged from the war with increased productive power, with a great store of internationally liquid assets, and with an earned standard of living higher than ever before and than anywhere else. Elsewhere there are devastated cities and transport facilities, sadly depleted merchant marines, exhausted inventories of materials and tools, hungry, ill-clad and ill-sheltered peoples, and economies struggling with painful slowness to restore peacetime operations. On economic and on humanitarian grounds, we should lend to deserving borrowers on generous terms and in generous amounts. In some cases, we should make outright gifts. We have already made loans and undertaken commitments amounting, since the termination of Lend-Lease, to over \$13 billions. We will be called on to do much more, and we should respond.

I attach great weight to our moral obligations, but I am always unhappy about finding the appropriate words for expressing moral considerations, and I feel much more confident when I am expounding narrowly economic and prudential considerations. The potential economic advantages to the United States of a large-scale foreign lending policy during the transition period to a stable world seem to me great and obvious.

How long this transition period will be, moreover, I do not venture to predict, since I have become convinced that any transition period is likely to be merely a period of transition from one transition period to another transition period. In helping to rebuild the economies of war-shattered countries, in helping backward countries to develop their latent productive capacities, we are helping to develop profitable future markets for American exports and profitable future sources for American imports. By our financial aid, we are also helping the world to free itself from the accumulation since 1930 of increased tariffs, of quotas and exchange controls, and of planned and unplanned instability of exchange rates. We are also using our financial aid to facilitate where it is already desired, and to persuade where there is reluctance or hesitation, the adoption of agreed procedures whereby bilateralistic matching of imports with exports, country by country, can be safely proscribed without serious menace that balance-of-payments disequilibrium will result therefrom. I know of no former period of history when international financial collaboration was as urgently needed and had as great potentialities of economic benefit to us, and to the world at large, as at this time.

Perhaps I should mention that we expect also to get some interest payments on the foreign loans we are making and plan to make. But except as the interest rates our foreign debtors pay exceed what the same capital, if invested at home, would earn as interest, there is no national gain from foreign investment on interest account. There is no special economic virtue in foreign investment as compared to domestic investment—or vice versa—except as the need for capital is greater abroad than here, but the differences in need are not fully represented by the differences in interest rates asked or offered. The special economic case for American lending abroad now on an unprecedented peacetime scale is that there is unprecedented opportunity for fruitful employment of capital abroad for reconstruction and development, and unprecedented concentration of the disposable supply of capital here.

We do not need to stimulate exports from this country at this time, and capital export undoubtedly accentuates rather than moderates our present difficulties in coping with inflation. The

fact that we are somewhat menaced by inflation, however, calls, not for a cessation of capital export, but for sufficient anti-inflationary measures to counter both the other inflationary forces and the additional stimulus to inflation which comes from capital export.

International lending can, in normal times, be made an aid to economic stabilization instead of a hindrance to it, as it has often proved in the past. But that it shall operate in this way requires deliberate planning properly designed to this end, and up to the present time, as far as I can determine, not even a gesture in the direction of such planning has yet been made, with the possible exception of the International Monetary Fund.

The International Monetary Fund could, and should, be made to operate, within the limits of its resources, as a cycle-dampening agency. If it operated, in accord with what I interpret as the spirit and even the letter of its charter, strictly as an exchange stabilization fund, such would be the natural result of its financial operations. But if newspaper reports have any basis, the managers of the Fund are impatient to begin credit operations. At this time price controls, rationing, subsidies, black markets, import and export controls, and direct governmental trade operations are almost everywhere either substituting for or distorting the traditional rôle of free-market prices as regulators of economic values. At this time every exchange rate in the world has a questionable and indeterminable relationship to the lasting values under free-exchange-market conditions of the currencies involved. At such a time there is little obvious value in stabilizing the existing more-or-less arbitrary exchange rates. At such a time there is no technique, except patience and trial and error, for ascertaining what levels of exchange rates would be deserving of stabilization. If the Monetary Fund authorities nevertheless embark upon active operations without waiting for less unsettled and less transitory conditions, the Fund will inevitably operate as a reconstruction agency, or as a relief agency, instead of as an exchange stabilization agency. Once the time arrives when exchange stabilization proper will be feasible and urgent, the Fund will have a till empty of the currencies then in demand and choked with the currencies in over-supply in the foreign-exchange markets of the world.

The charter of the International Bank for Reconstruction and Development requires it to lend when suitable borrowers appeal for its aid, and there is nothing in its charter which indicates that it would be proper for it to make timing with respect to the cycle an important consideration in granting or withholding loans. The Bank will, in the course of its first year or two of operations, undoubtedly receive applications for loans which will be sufficient in aggregate amount to press hard on its actual capital resources. Financing going beyond its own subscribed capital through the flotation of securities is subject to the approval of the governments of the countries in which the securities are to be floated. If a world depression should be threatening, increased operations by the Bank would be in order, but there would be no obligation on member countries to support such increase of activity by opening their money markets to the flotation of securities issued or guaranteed by the Bank. Despite the fact that this would mean that the Bank's operations would tend to accentuate rather than to moderate the cycle, I would recommend that the Bank proceed rapidly to the granting of appropriate loans. The need for reconstruction and development loans, which it is the function of the Bank to serve, may never in the future be again as urgent as it is at the present moment, and no part of the responsibility for coping with the cycle has been assigned to the Bank by its founders.

There is, however, a field for a third international financial agency with special responsibility for dealing with the problem of fluctuations in economic activity. I have elsewhere advocated the establishment of an International Employment Stabilization Fund, with this as its sole function and with large resources, whose availability for use by the Fund even at times of marked depression would be at least contractually assured. Such an agency would operate counter-cyclically by lending only when depression was threatening or prevailed and by imposing flexible repayment schedules which would call for heavier repayments during prosperity than during depression.

If private international lending and private international borrowing are to have much prospect of reappearing in volume, there is need also for the formulation by international agreement of a code of proper behavior for private creditors and

private debtors. The status of private creditors, and of government creditors as well, has been seriously undermined by the succession of events of the past two decades—defaults and repudiations, extinction of debts by war and by exchange depreciation, freezing of debts, confiscation of property—and until something is done to rehabilitate the rights of the creditor, it will be a venturesome American investor, indeed, who will place sizable funds on other than a speculative basis and at speculative terms in the securities of any of a very long list of foreign countries. Direct investment by corporations, also, now faces legal and political hazards of a kind which did not need seriously to be taken into account before 1914. On the other hand, even countries which have made it a practice not to pay their foreign debts have come to regard foreign investment in their territory as opening the way to political or economic exploration, and will be reluctant to admit foreign capital except on terms which protect them against these real or alleged hazards. In any case, it seems to me that anything like a restoration of the pre-1914 or pre-1930 international mobility of private capital will be a long, long time in coming, and will not be an important factor, in the absence of governmental guarantees, in restoring order to international economic relations in the near future.

The small amount of uncommitted resources of the Export-Import Bank will prevent it from playing an important rôle in the international financial policy of the United States over the next few years, unless Congress increases its loanable resources. But if Congress acts at all, it should change the fundamental rule which the Export-Import Bank is required to follow. In the long-run international economic program which the United States is pressing the United Nations to adopt, the central principle is the proscription of bilateralism, or the tying of imports to exports in two-country bargains. The Export-Import Bank, however, is in general permitted to make loans to foreign governments or individuals only if the proceeds are used in the purchase of American commodities or services. Congress, moreover, has imposed the additional requirement that exports financed by the Export-Import Bank must be shipped in American vessels. It is being widely, and properly, asked abroad why tying imports to exports is economically or morally more ob-

jectionable than tying loans to exports. At this moment, there is considerable resentment in Norway at the requirement attached to our \$50,000,000 loan that Norway, which lives on its shipping earnings, must carry in American ships the American goods which it buys with the proceeds of this loan. Such practices were appropriately characterized by Adam Smith as introducing into statesmanship the sneaking arts of underling tradesmen. If followed by domestic business at home, they would be frowned on by our laws as constituting "full-line forcing". We have no need, at this time, to stimulate artificially the export of our commodities. In the light of the general principles of trade which our government is advocating with much moral fervor, we should either clean up the charter of the Export-Import Bank, or frankly avow that we believe in our principles only when they do not prevent us from doing what we like to do, or at least ask other governments to forgive us our transgressions on the ground that, while it is the State Department which proposes, it is Congress which disposes.

There are other phases of our lending policy upon which I would have been glad to comment if time permitted, but I must preserve the remainder of my allotted time for what is at the moment of greater importance, namely, the political aspects of our lending policy.

Our government is being charged by Soviet statesmen with practicing "dollar diplomacy", meaning presumably the use of our financial resources as an instrument of our high foreign policy. In this sense, all of the great Powers of modern times have at one time or another practiced financial diplomacy; some countries, notably France and Germany before World War I, practiced it systematically. The two chief forms which such diplomacy has taken in the past have been the opening or closing of access to the national money market as a means of influencing the policy or behavior of particular would-be borrowers, and the promotion of loans and investments by nationals in outside areas of weak or doubtful sovereignty in order to provide a basis for subsequent political penetration.

There is an aura of disrepute about the practice of dollar diplomacy in the past, especially when it took the form of so-

called "peaceful penetration" or "economic penetration". To the old-fashioned liberal, dollar diplomacy has appeared to be inherently objectionable because it gives an adventitious advantage to the rich country over the poor, and because, in general, bargains not in *pari materia* tend to have an aspect of blackmail or of bribery about them. Few Americans feel proud of our record of dollar diplomacy in Latin America prior to the Good Neighbor Policy, and I recall my own sense of repugnance when I ran across the following in a letter of Woodrow Wilson to Colonel House, written in July 21, 1917, or during World War I: "England and France have not the same views with regard to peace that we have by any means. When the war is over, we can force them to our way of thinking, because by that time they will, among other things, be financially in our hands."

To my way of thinking, one of the major virtues of the agencies set up under the Bretton Woods Agreements seemed to be that they established procedures and resources for denationalized lending, so that capital could flow from rich and powerful to poor and needy countries without subjecting the latter to any risk of political or economic servitude to the former. I was unenthusiastic, to say the least, about our use of Lend-Lease and of our special loans to England and France to obtain adherence by other countries to our principles of commercial policy, even though I regarded these principles as highly desirable for all countries. To charge ordinary interest on a loan and to tack on additional requirements in other unrelated fields smacks of double usury. I have made it clear in my references to the Export-Import Bank that in general tying-in provisions are repugnant to me. In brief, I have not been an advocate of dollar diplomacy.

Recent developments in international relations, however, have led me to look at the question afresh, and I would now take a significantly modified position.

When national security is involved, the statesman must canvass every possible resource at his command to promote the safety of his country. If he can, without violation of any contractual obligation of his country, make its command over financial resources effectively serve the national purpose, if that

national purpose is both a just and a major one, he would be morally delinquent if he failed to make use of it.

I am not an expert on Soviet Russia. But I have reluctantly become convinced in recent months that she is, as a matter of cold and calculated policy, being deliberately provocative to the Western democracies, and that in doing so she is serving consistent and intelligible objectives: strengthening national unity and morale at home; terrifying the countries which lie between the Western democracies and her own mobile western frontiers; dividing public opinion within the Western democracies themselves; obtaining as the result of her bluster and threats a succession of piecemeal concessions which strengthen her and weaken us. By all past experience, no country not ruled by madmen acts the way Russia is acting unless she is deliberately courting the risk of war in pursuit of high stakes. Russia gives no sign that she is terrified at the prospect of atomic bomb warfare, and she gives every sign that she regards her strategic position, given her objectives, as strong rather than weak. As an ignorant layman, I do not know enough to justify me in assuming that she is seriously mistaken. Until I am informed to the contrary I must assume that our statesmen are in a similar situation.

These assumptions may well be mistaken ones. I hope they are. But if on the basis of available knowledge they are at all plausible, then we must frankly face the fact that we are in a most critical stage of international relations, and must marshal all our resources to serve the security interests of ourselves and of Western democracy in general. Our financial strength is a resource which if appropriately used can serve that purpose, and if inappropriately used can add to our jeopardy. Under prevailing circumstances, therefore, I urge the frank and deliberate resort to dollar diplomacy.

Let us examine carefully, however, how financial diplomacy can be made to contribute to the national strength, since some of the current ideas and stereotypes on this question are fallacious or highly questionable. As between great Powers, it is not the creditor status but rather the possibility of refusing to be a creditor which is a potential source of political strength. A loan, once granted, yields no direct fruit beyond those specified in the bond—and often, as we know, not even much of that.

Loans, once granted, rarely command gratitude. If the loan contract was hammered out in hard bargaining, there is likely to be soreness rather than thankfulness on the part of the debtor once the loan funds have been transferred, or even before. Once the loan is transferred, moreover, the power shifts from the creditor to the debtor, since the withholding of repayment can be made to exercise the same manner of influence as the withholding of loans. From the point of view of influence on foreign policy, therefore, past loans should be regarded as water over the dam, and the potency of finance as an instrument of diplomacy—or of strategy—should be appraised in terms of our command over the granting of new loans.

I suggest, therefore, that if my appraisal of the international situation is not patently a mistaken one, certain corollaries for our foreign lending policy in the immediate future follow therefrom. First, we should withhold all financial assistance of any kind to which we are not already contractually bound from Soviet Russia, Poland, Yugoslavia, Czechoslovakia, and any other countries which from common objectives or from terror are following the Moscow Diktat. This is not so much to coerce them, since they have no doubt taken this contingency into account in deciding upon their procedure, but to avoid equipping potential enemies with the means of hitting us more effectively. Second, we should extend financial aid to the countries threatened by the advance of the Russian glacier, if such aid has any chance of being effective in giving them the means and the will to resist such advance. Third, we should look to our alliances, and cement them with dollar loans, or with grants, where expedient. Fourth, while we should not interfere with the obligation of the Monetary Fund and the International Bank to make their decisions uninfluenced by political considerations, we should keep national security considerations in mind in exercising our veto right over financial transactions by the Bank within our money market.

I am thus recommending our resort at this time to dollar diplomacy. But I recommend dollar diplomacy only in the service of high national policy whose objectives are made as clean and decent as possible. Because the instrument itself has a bad record, and because there will be a tendency for honorable scruples about its use on the part of the American people to

make resort to it weaken the public support of our foreign policy in general, it is additionally urgent that the instrument be purged of its past impurities. Let us stop using it, therefore, to force friendly countries in financial distress to buy their cotton from us at above world-market prices, or to force them to carry their imports from us in our ships rather than in their own ships upon whose earnings they depend for their daily bread.

REMARKS BY THE CHAIRMAN

CHAIRMAN MORGAN: Thank you, Mr. Viner.

Some years ago there came to New York from St. Louis a young man who was a respected and able member of his community. This young man became a stock broker and, when in due course the Stock Exchange in New York needed a new president, he was elected. Then came the war; and he started in the service of the United States as a private soldier, rising rapidly to the rank of colonel. Promptly thereafter he became President of the Export-Import Bank. He is young enough for me to confide in you what the record states; and arithmetic will tell you exactly what his age is. He was born in 1906. Mr. Martin!

THE EXPORT-IMPORT BANK AND UNITED STATES FOREIGN-LOAN POLICY

WILLIAM MCC. MARTIN, JR.

Chairman, Export-Import Bank of Washington

I WELCOME this opportunity to speak to the Academy of Political Science on the subject of the rôle of the Export-Import Bank in the United States post-war foreign lending program. The official expression of the United States foreign-loan policy is contained in the "Statement of the National Advisory Council on International Monetary and Financial Problems" transmitted by the President to Congress with his endorsement on March 1 of this year. The opening paragraph of that Statement summarizes the basic purpose of the policy as follows:

The foreign-loan program of the United States, by assisting in the restoration of the productive capacities of war-devastated countries and by facilitating the sound economic development of other areas, is directed toward the creation of an international economic environment permitting a large volume of trade among all nations. This program is predicated on the view that a productive and peaceful world must be free from warring economic blocs and from barriers which obstruct the free flow of international trade and productive capital. Only by the reestablishment of high levels of production and trade the world over can the United States be assured in future years of a sustained level of exports appropriate to the maintenance of high levels of domestic production and employment.

The United States foreign-loan program is thus a part of the whole broad effort to bring about an international climate conducive to world peace and economic well-being. As such it is part and parcel of, and should be considered in conjunction with, the parallel efforts of UNRRA, the Bretton Woods organization, the Anglo-American Financial Agreements, the United Nations Economic and Social Council, and the proposed International Trade Organization.

In the period preceding the active operations of the Bretton Woods organizations, the Export-Import Bank has had an important rôle to fill in the United States foreign-loan program. Congress, in passing the Export-Import Bank Act of 1945, entrusted to the Bank the responsibility of making emergency reconstruction loans to the liberated and war-devastated areas during the period prior to the inauguration of the International Bank. For this purpose, the lending powers of the Export-Import Bank were increased from \$700 million to \$3.5 billion. The Bank was made a permanent independent agency of government and its management transferred from an ex-officio part-time Board of Trustees to a full-time bipartisan Board of Directors.

In carrying out its rôle under the Export-Import Bank Act of 1945, the Bank has entered into commitments for general reconstruction purposes totaling \$2,065 million. The emergency reconstruction credit program falls into three principal categories:

1. \$655 million has been extended for the purchase of goods which had originally been included in the Lend-Lease program. As you know, Lend-Lease exports during the war included not only military materials but also large amounts of foodstuffs and other goods necessary to the civilian economies of foreign countries. Upon the termination of Lend-Lease after V-J Day, it became essential to maintain the uninterrupted production and flow of the great volume of civilian goods already ordered by United States procurement agencies under Lend-Lease appropriations and procedures. To meet this situation the United States government permitted the requisitioning countries to buy such goods on credit terms established under the authority of the Lend-Lease Act. These terms, generally referred to as 3(c) terms, provided for payment over a 30-year period and interest at $2\frac{3}{8}$ per cent. When shipments under these arrangements have been completed, the aggregate amount of the credits extended may total roughly \$1.5 billion. The second step concerned goods for which foreign countries had filed requisitions which had been approved by the United States government but for which the United States government had not entered into contracts of purchase by V-J Day. To permit the consummation of these programs, it was arranged that United States

agencies would continue to render procurement assistance for a limited period, and financing was provided by the Export-Import Bank on 3(c) credit terms, that is, 30 years at 2½ per cent. The Bank extended credits for this purpose late in 1945 to a total of \$655 million, of which \$550 million was to France, \$55 million to Belgium, and \$50 million to the Netherlands.

2. \$1,277 million has been extended for the emergency reconstruction credit needs of the following liberated and war-devastated countries: Belgium, Czechoslovakia, Denmark, Finland, France, Greece, Italy, Netherlands, Netherlands East Indies, Norway, Poland, Saudi Arabia, China and Ethiopia. The credits range in amount from \$3 million to Ethiopia to \$650 million to France, while the maturities range from two years in the case of the second general credit to the Netherlands, intended as a tide-over credit, to 25-30 years for the great majority of the credits. The long-term credits with several minor exceptions carry an effective rate of interest of 3 per cent per annum.

3. \$100 million has been made available to various European countries for the purchase of raw cotton and \$33 million for similar cotton purchases by China.

Nevertheless, the emergency reconstruction credit operations of the Bank have been complicated from the outset by the fact that, contrary to earlier hopes, private capital for reconstruction loans has not yet been forthcoming. Furthermore, the delay in the ratification of the Bretton Woods Agreement and the postponement of the beginning of operations of the International Bank meant that the Export-Import Bank has been the principal source of long-term dollar loans for a substantially longer period than originally anticipated. Except for Canada and Sweden there has been no important source of international loans outside the United States. Furthermore, even if financing had been available from other countries, the crucial fact has been that only the United States, and Canada and Sweden to a lesser extent, have been in a position to supply quickly the large quantities of goods needed by liberated and war-devastated countries.

The combination of large demands and limited resources has meant that the Export-Import Bank has been able to meet only a small part of the total needs of foreign countries for credits for reconstruction and development. As a result, it has had to limit such loans to the immediate minimum needs of the borrower.

This has involved a very careful screening of all loan applications from the point of view of urgency of need of the borrower, the borrower's own resources, the possibility of obtaining the loan from other sources, the ability of the borrower to make effective use of the funds, the capacity of the borrower to repay, and the impact of the loan on our domestic economy.

Looking back over the implementation of the United States foreign-loan policy during the past year, from the special vantage point of the Export-Import Bank, it seems to me that two major achievements of the loan policy stand out.

In the first place, a mechanism for the coördination of all United States foreign lending has been placed in effective operation. I think it would be difficult to overestimate the importance of the contribution of the National Advisory Council, not only to the United States foreign lending program, but also to the permanent machinery of our government.

The National Advisory Council was established by Congress in the Bretton Woods Agreement Act. According to this law the members of the Council are the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Export-Import Bank. As a result of Congressional decision, we now have for the first time in our history a committee at Cabinet level charged with the responsibility of coördinating all the foreign financial activities and interests of our government. Before the establishment of the Council this area of work, responsibility for which was scattered throughout the Executive Branch of government, was not coördinated and there were inevitable confusion and overlapping. Immediately upon its establishment the Council installed a procedure to insure the orderly consideration of all requests and proposals for foreign loans. For example, as in the case of all federal agencies with respect to their particular field, before the Export-Import Bank actively considers any loan application from a foreign government, the application is first referred to the National Advisory Council for consideration of the application from the standpoint of policy and coördination with the government's foreign lending program. In this manner the application is given central consideration by all the interested departments. This

highly technical work is done through a staff organization of which the Export-Import Bank's trained force of economists and examiners forms an essential and closely integrated part along with the economic staffs of the several government departments and agencies represented on the Council.

The assistance rendered by the National Advisory Council to the Board of Directors of the Export-Import Bank in connection with its emergency reconstruction credit program has been invaluable. In view of the extreme complexity of the foreign lending problems, and the close interrelationship between the foreign-loan applications to the Bank and to other federal agencies and to the International Bank, the Export-Import Bank would have been faced with a well-nigh insuperable task in attempting to carry out its emergency reconstruction program expeditiously without the assistance of the National Advisory Council machinery.

To achieve this type of coördination, without assuming prerogatives specifically allocated to other agencies such as the banking and business judgment which the Export-Import Bank Board must exercise, requires skillful administration. Under the able guidance of Secretaries Vinson and Snyder I can testify that this has been achieved.

Once a given application or class of applications has been "approved for consideration", as the action of the Council is now worded, the Export-Import Bank assumes full responsibility for the final decision as to whether or not the loan should be made and on what terms and conditions. The use of the Council mechanism attunes Export-Import Bank lending to United States foreign policy while retaining in the Board of the Bank, as it was obvious Congress intended, the veto power over indiscriminate or unsound loans. It is clear that the members of the Board are expected to resist pressure for unsound loans from whatever source and to insure strict observance of the Export-Import Bank Act of 1945. This clear-cut independence must be maintained if the Export-Import Bank is to further its established record of intelligent and businesslike lending.

The mechanism for coöordinating the United States foreign lending program was further rounded out in recent weeks by the formation of the Aldrich Committee. President Truman appointed this committee of private industrialists and financiers

under the Chairmanship of Mr. Winthrop Aldrich to bring about the fullest coöperation between the government agencies and private industry and finance in the foreign financial field. Mr. Aldrich in accepting appointment as Chairman of the Committee summarized its purposes as follows: ". . . to bring into orderly common effort public and private finance, through businessmen and bankers, in the foreign field; to foster the application of the productive capacity of the United States in the most effective manner possible to the needs of domestic consumption and foreign reconstruction; and to promote relations between American and foreign business enterprise for the purpose of developing and maintaining foreign trade, both export and import, on a high and expanding level."

Two months ago there was held in Washington the first of a series of joint meetings of the Aldrich Committee and the National Advisory Council which will undoubtedly prove invaluable in bringing to the attention of the government the viewpoint of industry and finance on all aspects of the foreign lending program.

The second important—and, of course, basic—achievement of the United States foreign-loan policy so far is that it has provided the dollar credits required to finance the most urgent reconstruction requirements of the war-devastated areas. The resources of the Export-Import Bank have been too limited to cover the total post-war reconstruction credit needs of all countries; however, the complex and laborious task of loan negotiations with fourteen countries, comprising practically every war-devastated area, has been completed within a year after V-J Day, and provision made for financing their emergency reconstruction needs.

In this way the Export-Import Bank has discharged the added responsibilities it assumed under the Export-Import Bank Act of 1945. These activities are now drawing to a close and in a short time the Bank will again concentrate on its more normal activities of aiding everyday United States foreign trade.

PART III

SOCIAL AND ECONOMIC ASPECTS

INTRODUCTION*

NICHOLAS KELLEY, *Presiding*

LADIES and Gentlemen of the Academy: I have one or two announcements to make. The first is that your presiding officer is not Shepard Morgan, but Nicholas Kelley, a lawyer in New York. I also wish to say that the Academy regrets very deeply that owing to unforeseen circumstances it is necessary to cancel the annual dinner at this time, and that the semi-annual dinner will be held in April of next year. I remind you that our conference topic is: "Developing a Working International Order—Political, Economic and Social". At our session today, the third session, we are discussing "Social and Economic Aspects".

Our first subject is "The Work of the Economic and Social Council of the United Nations". Our speaker is Professor Winfield Riefler of the School of Economics and Politics, of the Institute for Advanced Study, Princeton, New Jersey. Dr. Riefler!

* Opening remarks at the Third Session of the Annual Meeting.

THE WORK OF THE ECONOMIC AND SOCIAL COUNCIL OF THE UNITED NATIONS

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IT is the purpose of this paper to describe the background of successful international collaboration on economic and social problems which led to the creation of the Economic and Social Council, and to assess the prospects for the Council in the light of this background as it is affected by current conditions.

It will not attempt to enumerate the manifold activities, needs or aspirations of mankind which have been assigned to the jurisdiction of the Economic and Social Council of the United Nations. Neither will it describe the complicated structure of administrative relationships which have already developed at this early stage between the Economic and Social Council, itself, with its various Commissions and Sub-commissions, and the Assembly and Secretariat of the United Nations, on the one hand, and the various Specialized Agencies of the United Nations with their specialized staffs on the other. The situation is so complex that any attempt to enumerate and describe these activities and relationships would more than absorb the time allotted this morning to the work of the Economic and Social Council.

International Collaboration under the League

It is literally true that, whereas the Charter of the Security Council of the United Nations was drawn to correct the weaknesses and failures of the League of Nations, the creation of the Economic and Social Council as a separate entity of the United Nations is an attempt to capitalize and build upon the League's success. International collaboration in the economic and social sphere, as a concrete responsibility of the League, was not spelled

out in the writing of the Covenant at Versailles. With the important exception of the International Labor Office, the organization and structure of the League, as conceived at Versailles, were devoted primarily to the achievement of collective security. It followed inevitably from this orientation that the prestige of the League rose or fell as it appeared to achieve or failed to achieve collective security. When, during the troubled thirties, the prospects for the achievement of collective security were dead, and the prestige of the League was gone, it was a matter of no little surprise to discover that important aspects of international collaboration were still very much alive. Despite the fact that the foreign ministers of the great Powers no longer came to Geneva to compromise their differences, a host of other officials continued to come, particularly those connected with various activities, economic and social, which had gradually developed around the League. In these areas, international collaboration, on a small scale at least, showed promise of further growth.

The creation of the Economic and Social Council is a direct outcome of this experience. The suggestion that such a separate international body be constituted was raised to the level of official discussion in 1939 and 1940 as a result of the work of the Bruce Committee. It could not be acted upon then because of the war but the suggestion was carried over intact into the Charter of the United Nations. The Economic and Social Council already possesses an elaborate organization. It is prepared to carry on and expand the area of activities where the League scored its greatest success.

The nature and importance of some of these economic and social activities are generally appreciated in this country, particularly the work in health and in the control of narcotics, where our government participated. There is also appreciation of the technical skill which the Secretariat of the League contributed to the organization of international conferences, on economic and social as well as on political problems. In the case of many activities, however, there is little general understanding and less appreciation, consequently, of the limitations to which an international organization is subject, as well as of the opportunities it may embrace. It cannot solve our eco-

nomic and social ills. It cannot begin to help in their solution through the process of international collaboration unless basic attitudes among the member states are propitious.

Three specific instances of constructive work on the part of the League—in the elimination of double taxation, in the promotion of international economic statistics and research, and in the study of nutrition—can be cited to illustrate the type of international activities that is possible when these conditions exist.

The double taxation which an international organ such as the League or the Economic and Social Council of the United Nations can help to eliminate is technical, not purposive. It arises by inadvertence rather than by will. There is now no power present or seriously proposed to give any international organ authority over taxation. If any state wishes to impose double taxation or triple taxation, it can and will do so without impediment by the international technicians working on the problem. Double taxation, as a *technical* problem, arises when two states with different types of tax systems, or different regulations or definitions applicable to the same general type of system, together impose, in fact, a higher level of taxation than either intended on some transaction or industry falling within *both* jurisdictions.

Such technical problems of administrative overlap are not confined to the field of taxation. They are widely prevalent in economic activities or relationships involving two independent jurisdictions and arise because our modern economic world is not only highly interdependent but is also now characterized almost everywhere by very extensive official supervision over economic activity. In the specific field of taxation the League Secretariat discovered an active interest in the elimination of administrative overlap among Treasury officials in many countries. They were able, consequently, to activate this interest constructively by establishing an international committee on double taxation. This committee first endeavored to frame a single multilateral convention for the elimination of double taxation but found that the administrative difficulties were prohibitive. It then adopted the device of framing a model convention with model definitions for the general guidance of officials in each country to be used when occasion arose either

for bilateral tax agreements or for unilateral changes in tax legislation or tax procedures. These model definitions were progressively adopted by many countries.

The contribution of the League to the improvement of economic statistics that are internationally comparable rested on much the same grounds as its contribution to the elimination of double taxation. The lack of comparability of economic statistics of different countries arises frequently out of inadvertence rather than will. Many of our most important series of economic statistics have become available as a result of our national administrative procedures with the result that they are not directly comparable as between countries. In this case also the League Secretariat found an active interest in the comparability of national series already present among public officials in many countries and needed only to activate this interest to produce impressive results.

In the field of international economic research, however, as distinct from statistics, particularly research on international trade and research on international aspects of the business cycle, the League was able to do more than bring out what was already latent within national governments. In these areas, the dominant preoccupation of national officials tended to be bounded by their immediate problems. It was the task of the League's economic staff to point out the inadequacies of a purely internal approach to such problems as those of economic stability and to explore the international repercussions of proposed national policies. Economic research initiated by the League took a form and made a contribution that was essentially independent of the participating member countries. It may well be that the Economic and Social Council will find that research broadly based, and international in point of view, will be one of the areas where it can make its most striking contribution.

The most interesting example of the contribution to social and economic problems that can arise out of a very simple international approach is furnished by the League's work on the relation of nutrition to health. The international nutrition movement was in fact launched in Geneva as the result of a series of collaborative international studies into the scientific bases for nutrition, into the actual nutritional content of the diet in var-

ious parts of the world, and finally into the relation of nutrition to health on the one hand and to economic policy on the other. These undertakings were completely typical of the kind of activity which an international economic and social organization can promote with ease and effectiveness. They were comparable to the work in double taxation, in that the League undertook originally to do little more than to bring together experts in the same field of specialty from various countries to exchange views and come to a closer understanding in the area of their specialty. They were comparable to the research work in international trade, in that the League Secretariat, itself, subsequently initiated a program of research into the problems of nutrition and health that emerged from the exchange of views of the various specialists.

In this particular case these simple undertakings had far-reaching international results. The discovery of the wide prevalence of nutritional deficiencies over much of the globe, even in agricultural exporting areas such as the Balkans, cast a wholly new light on the nature of the "surplus" problem which dominated agriculture during most of the thirties. It awakened fresh interest in nutrition and a new understanding throughout Europe of the relation of food to welfare, and it gave rise to a demand that these relationships be taken into account in the formulation of national economic and agricultural policy. It began to be realized, for example, that the agricultural policies then prevalent in Europe, of heavy protection of wheat, which could be imported, were, in fact, diverting production from such important nutritional foods as milk, eggs and vegetables which could not.

The outbreak of the war prevented immediate moves to reverse these policies of agricultural protection, but afforded ample scope to test the effectiveness of nutritional techniques. In Great Britain, to take one example, the general health of the population increased in spite of stringent food rationing, largely because that rationing was based upon modern nutritional findings. When President Roosevelt, in the most tense days of the war, issued his call for the Food and Agricultural Conference of Hot Springs, he sensed the ferment that was at work in the related fields of nutrition, food and health. The United Nations Food and Agriculture Organization was created as a result

of that conference. It is one of the most important specialized agencies of the new United Nations. It constitutes a striking demonstration that it is possible to develop widespread and unanticipated methods of international organization out of such modest beginnings as an international conference of technicians.

One of the first activities of the Food and Agriculture Organization was to prepare plans for a World Food Board to operate simultaneously toward stabilization of the market for agricultural products and the improvement of nutrition in backward areas. These proposals appear to have been turned down on the ground that the World Food Board offered an oversimplified approach to very complicated problems. The problems, however, remain and we may expect the Preparatory Committee of the Food and Agriculture Organization, under the able chairmanship of Stanley M. Bruce of Australia, to continue to seek and to bring before the United Nations constructive proposals in the area of nutrition and health.

Prospects for the Economic and Social Council of the United Nations

Just what does this League experience indicate for the prospects of the Economic and Social Council of the United Nations? What sort of success may we expect from the major emphasis now placed in the organization of the United Nations on economic and social collaboration, and by what standards shall we judge the degree of success achieved? It has been noted that the economic and social aspects of the League's activities gained in prestige during the thirties at the very time when the general prestige of the League, because of waning prospects for collective security, collapsed. In part, this reflected the fact that the League had not previously emphasized its economic and social activities. It had no elaborate organization to deal with economic and social problems, and it was not, consequently, charged with failure when economic and social difficulties appeared.

The period of the thirties was marked, in fact, by just as sharp deterioration in economic and social as in political relationships. The League, however, was not charged with failure to prevent such developments as the collapse of the central

European currencies, the growth of protectionism, the general breakdown of a multilateral system of trade and its replacement by bilateral and highly nationalistic trading relationships. Instead, in spite of the general deterioration, the value of the League as an international mechanism was judged by the constructive contributions it managed to bring off. In short, it was given credit for what it was able to achieve in this very difficult area. It was not criticized for omissions in those achievements.

In our new international structure, the Economic and Social Council is now one of the foremost bodies. Its greatest danger lies in that very fact. Will the peoples of the world be sufficiently understanding and intelligent to evaluate its utility by what it is actually able to accomplish in a difficult and complicated situation, or will they tend to charge every failure in the attempt to solve the international aspects of our economic and social problems to a failure of the Council? The range of economic and social problems technically falling within the jurisdiction of the Council in their international aspects includes a predominant proportion of the ills, the tensions and the aspirations of mankind. They are so wide and so varied as to afford almost numberless individual opportunities for constructive collaboration under the guidance of the Council. They are also so difficult, and sometimes so lacking in the elements basic to a constructive solution, as to afford ample occasion to charge the Council with failure.

The organization chart of the Economic and Social Council already illustrates the range and diversity of the problems which have been laid at its door. Its eighteen members elected by the Assembly have had to deal with the troublesome question of its relationship to nongovernmental bodies, particularly with the request of the World Federation of Trade Unions that it not only be permitted to sit as observer at the meetings of the Council, but also be allowed to submit its views both orally and in writing to the full Council. The Council has already organized or is in process of organizing basic commissions on human rights, on the status of women, on social problems, on economic and employment problems, on transport and communications, on statistical problems, and on narcotic drugs. It

already has sub-committees on freedom of information and of the press, the protection of minorities, the prevention of discrimination, on devastated areas, on employment, on the balance of payments and on economic development. It must work out its relationship to at least eight specialized United Nations agencies, in process of formation or in being, the Educational, Scientific and Cultural Organization, the Food and Agriculture Organization, the International Bank, the Civil Aviation Organization, the International Labor Office, the International Health Organization, the International Monetary Fund, the International Trade Organization, and the International Refugee Organization.

Some of these specialized agencies, such as the Bank and the Fund, will have power to initiate action within their respective areas. In their cases, we will be able to judge the effectiveness of their operations by the degree of success with which they achieve their assigned objectives. Such objective appraisal will not be possible, however, in the great preponderance of cases with which the Economic and Social Council will deal. In general, it will have no specific power other than to study and advise, or to provide a means whereby sovereign nations may coöperate when they so desire. Its opportunity for accomplishment will be measured, not by the existence of a social need or the recognition of an economic problem, but rather by the pressure within the various nations for a common approach to a constructive solution. The contribution which the Council will be able to make will consist of the skill with which it is able to activate latent desires which are common to the nations and to isolate them from political conflicts.

In this work the shift in world relationship that has emerged from the war will pose unprecedented problems for the Council and its staff. In seeking to discover interests in economic and social problems that not only were common to its members but lent themselves to a common pattern of solution, the League had the advantage that it was dealing essentially with technicians, scholars and civil servants of the countries of western Europe, countries which had much in common in their history, their traditions and their political, economic and social organization. These more or less homogeneous countries will still be

active in the Council of the United Nations, but they are no longer preponderant, for the United Nations now includes, among its most active partners, the United States on the one hand and Russia on the other. As of today, the economic and social patterns of the United States differ more widely from those of western Europe than during the inter-war period, while those of Russia differ basically from both.

We must recognize that it will be difficult in the post-war world to find a common basis of approach to common economic and social problems that are universally applicable. The potential area for international economic and social collaboration, on a universal basis, will be subject to sharp limitations. By the same token the potential opportunities for international collaboration on a less than universal basis will be much greater. There are many areas, for example, where the countries of western Europe can collaborate effectively in reconstruction. In the existing state of political tension, the danger of such collaboration is that it will tend toward the formation of political blocs. It will be the delicate task of the Economic and Social Council to devise techniques that will foster constructive application of this type of collaboration, that is, economic and social collaboration on a less than universal basis, without at the same time contributing to the formation of aggressive economic or political blocs.

REMARKS

CHAIRMAN KELLEY: Thank you, Professor Riefler.

We are going to change the order of the next two addresses, and the next subject that we shall take up will be "The Fate of Refugees and Displaced Persons". I had occasion a few weeks ago to see some of these camps of refugees and displaced persons, and they are a very sorrowful sight. I must say I look forward with hope to what Professor Joseph P. Chamberlain, Professor of Public Law at Columbia University, may be able to tell us on this subject. Professor Chamberlain!

PROFESSOR JOSEPH P. CHAMBERLAIN: This subject which I am to discuss is a subject of very great immediate importance in working out international order. I want to call your attention to the fact that it involves action, and prompt action; that it is not a question like many of those which Professor Riefler so well described to you, which involved first long consideration and then a long-term action. Perhaps it is not the most important part of the work of the United Nations, but it is a problem which requires very prompt decision and which probably within a reasonable term of years can be brought to an end.

THE FATE OF REFUGEES AND DISPLACED PERSONS

JOSEPH P. CHAMBERLAIN

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NEVER has so great a movement of peoples taken place in so short a time as that which has left a million persons uprooted from their homes and living in foreign lands. They constitute a major problem of the United Nations. Over ten million people, not including invading armies, were swept into the territory of the Axis Powers—nearly all in Germany or Austria, most of them as laborers, others as prisoners of war. Many others fled their countries to escape invading armies. When the German forces collapsed a counterwave took place, and the armies of the United Nations, aided by UNRRA, accomplished the incredible task of evacuating nearly 7,000,000 persons eager to live as free men in their own home lands again. By rail, by truck or on foot along the roads, by air trains or transport planes, they were repatriated and distributed to their homes. The record *Völkerwanderung* of all time, as to numbers and as to speed, came to an end.

Over a million, however, were unwilling to be repatriated, and it is the policy of the United States, the United Kingdom and France that no one should be forced against his will to return. The United Nations Assembly on February 12, 1946, passed a resolution which reads as follows:

No refugees or Displaced Persons who have finally and definitely in complete freedom, and after receiving full knowledge of the facts including adequate information from the governments of their countries of origin, expressed valid objections to returning to their countries of origin and who do not come within the provisions of paragraph (d), shall be compelled to return to their country of origin.

Almost all of the dissidents are in the United States, United Kingdom and French zones of Germany. They are estimated at 850,000, so that these three Powers, chiefly the United States and the United Kingdom, have now the responsibility to pro-

vide for them and to bear the cost of their support beyond what can be supplied from the German stocks, which have to be supplemented to maintain the German people.

In the largest national group are the Poles, estimated at 400,000; next come the Balts, from Latvia, Lithuania and Estonia, some 200,000; then about 25,000 Yugoslavs. The latest figure for the Jews, practically all Eastern Jews, is 185,000. These figures are not accurate, and besides there are many Ukrainians and Balts, perhaps others, who have not registered as displaced persons, fearing that they might be repatriated. As was the case after World War I, this "hard core" of displaced persons, unwilling to return, comes from eastern Europe. It may be hoped that many of the Poles who are peasants and some of the Yugoslav peasants will go home, but 700,000 is not a high estimate of those who will remain. Much less than a third may be expected to be Jews. They will not return. There are too many mass graves in Germany and Poland and elsewhere in eastern Europe, too many memories of ruthless exploitation and mass murder to make it possible that they should. For the same reason many not displaced do not want to remain in their home countries where each street and country road brings back memories of the cold-blooded extermination policy which hung like a pall over Nazi-dominated lands. "The evil that men do lives after them", and the intensive fostering of anti-Semitism for so long a time has left its marks, as is indicated in the numbers of Jews who have fled Poland since the war, despite the government policy of equal treatment and protection. As better order develops, this exodus may be much less, but the reason why the Jewish displaced persons look elsewhere for their future homes is evident.

The Balts will not return. Catholic Lithuanians, Protestant Latvians and Estonians are not willing to live in Soviet-dominated republics. For the United States and the United Kingdom they are not Soviet subjects, as these governments have not recognized the Soviet Baltic republics, but the Soviet government claims them as its nationals and urges their repatriation.

This difference is indicative of the conflict in policy between eastern Europe and the Western Powers. It is not the most serious. The Soviets, Poland and Yugoslavia insist that their nationals be returned. They need population and workers to

restore farms and factories. Poland now occupies a large part of eastern Germany which she expects to annex in the peace treaty and for which she wants population. These countries say that only those guilty of treason or of being quislings or collaborators need fear the treatment they will get on return, and they protest the United Kingdom-United States-French policy in all official international meetings. They add that those who will not return will be centers of hostile feeling wherever they live and will foster, as they can, opposition to the Soviets. They are willing that the occupying Powers maintain the displaced persons until they are repatriated, but they oppose plans by which the displaced persons who are their nationals will be settled out of Germany unless by the consent of their governments. Other Powers agree that repatriation is the best solution and favor it strongly, but they stand to their policy of respecting the freedom of individuals to refuse to go. As an inducement for return it has been proposed to allow three months' rations on return, though difficulties in administration may cause this plan to be given up.

The United States and the United Kingdom have a strong reason for liquidating the camps and for settling the displaced persons elsewhere than in Germany. It is their armies who provide a large part of the food and other supplies for the displaced persons in their zones. The cost comes to millions of dollars a year, and, with the present deficit in supplies for Germany alone, there seems but little chance that this expense will not continue to be an occupation cost.

UNRRA plays an important part in caring for the displaced persons. The Administration, under contracts with each army, has taken over the administration of the camps, supplying a staff to manage the many-sided life of the men, women and children in the small cities which are the camps, with all social needs, medical care, recreation, work training, education. The displaced persons themselves have been relied upon to coöperate and to furnish leaders in all of these fields. Success varies in different camps, but there has been sufficient response to make it evident that the human material is of good quality on the whole and deserving of the strong efforts made and to be made to restore them to normal life.

UNRRA has drawn on the readily proffered help of voluntary agencies, which have under UNRRA supervision sent in supplies supplementary to army rations, milk for children, special medicines, apparatus for games, books, clothing, and, most of all, workers trained to care for children, to organize recreation, or religious services. Some 166 came from American agencies alone.

At the meeting in Geneva last August UNRRA was authorized to assist in resettling the refugees in addition to caring for them in the camps and aiding in repatriation. To this end the Administration was authorized to coöperate with the Intergovernmental Committee on Refugees, with governments or private agencies. The Intergovernmental Committee is composed of governments in which the United States and the United Kingdom have taken a leading part. It is organized to settle displaced persons in countries ready to take them in, and, to accomplish this end, to negotiate with governments and to provide funds to aid in transport and settlement. Its funds are very limited. Recently it has sent officials to Germany to aid in resettlement plans for the displaced persons in coöperation with UNRRA and private agencies.

Such is the problem—economic, administrative, political—but the most important side is the human element involved, people living in a state of insecurity, without homes of their own, without a chance to earn their way or to live their own lives, uncertain of the future for themselves and for their children, fearing to return to their home lands, and with no assurance that they can find a country which will take them in. They need rebuilding of their minds and spirits as much as, perhaps more than, rebuilding of their bodies, but that can come only from the sense of security which will follow living in a home and having a chance to act as free human beings. Life in a camp is bad for morale, and for the qualities of self-reliance and of independence so necessary for a life of self-support and freedom.

The large number of the displaced persons, and the difficulties of finding homes for them and of settling them, warrant the declaration of the United Nations that the displaced persons constitute an international problem and the creation of an

international agency of the United Nations to deal with their problem. It is the more urgent since UNRRA, whose rôle in the administration of the camps is so important, will cease operations on June 30 next year. There is not too much time to organize an international agency to take its place.

The new agency is intended to do more than operate the camps; a charge is to be given it to seek a solution, and that as quickly as possible. There appear to be three possibilities, no one of which is exclusive of others. All are agreed that repatriation is best for those who go willingly, and that every reasonable opportunity be given each government to inform its nationals of the facts of life at home and to allay their fears of reprisal if they return; but it is probable that approximately 700,000 cannot be convinced. The occupying Powers, the United States and the United Kingdom, are firm in refusing to force dissidents home, so for this large group there are but two alternatives: settlement in countries other than Germany, or ultimate absorption in the German economy. The German economy in the United States and United Kingdom zones is unable to support the resident Germans. The two countries have to send in large amounts of supplies to maintain the low German standard of living which they have fixed. Bombing of the cities has accentuated the housing shortage. The return to their homes of the demobilized soldiers of the huge German army adds to the housing problem and to food difficulties. To the soldiers must be added the millions of racial Germans forced to leave their homes outside of Germany and sent into the diminished area of Germany where they must be taken care of. To absorb these great numbers would create difficulty enough in a normally operating industrial economy; but that the German economy is not, nor will it soon be, in spite of the effort to set up industry which can export enough to make western Germany self-sufficient, though on a scale of living relatively low, and thus reduce the charges on the occupying Powers. The situation in the French zone is similar.

With the great scarcity of food, of housing and of jobs, the displaced persons—eastern Europeans mostly, strangers in a strange land—would find it hard to fit into the German national society. It is probable that the German people and authorities would resent them as intruders and would give

them equality with Germans only under the supervision of the military authority. To assure the 700,000 displaced persons a fair chance in the German social order would be a major task for the tact and firmness of the occupying forces. Nor would it lift the burden of support from the taxpayers of the United States and the United Kingdom. Since the displaced persons now receive a larger allowance than the Germans, the cost would be cut somewhat, but most of it would remain where it now lies.

For the large number of Jews, absorption into the German population cannot be considered. In his impressive report to the President, in September 1945, on displaced persons, Mr. Earl Harrison commented that "For reasons that are obvious and need not be labored, most Jews want to leave Germany and Austria as soon as possible." They do not want to aid in re-building German economy, again for reasons that are equally obvious, nor are they willing to return to their former home lands. Indeed many who returned to Poland, to find relatives if they could, or to examine the situation there, have come back to the American zone, and other Polish Jews have left the country which for them has so many tragic memories and where they can no longer feel at home, preferring the uncertainty of displaced persons to life in Poland.

There remains settlement elsewhere than in Germany or Austria, and in this field especially is applicable the resolution of the United Nations that the displaced persons form an international problem requiring coöperation of all governments able to find a place for them.

Settlement is made far harder by the development of closely restricted immigration in the countries which formerly welcomed immigrants, and the governments are reluctant to modify their policy even under the pressure of the great human need which they recognize. Some of them, especially Brazil and Santo Domingo, have declared themselves ready to admit immigrants in substantial numbers, but only those who are skilled laborers or farmers or farm workers or men and women who can do the type of work needed in the country of immigration. Other governments indicate that they also will accept specified kinds of workers but are not ready yet with their plans. Many of these countries say that they are unable to meet

costs of transportation or of settlement or of preparing farms for colonists whom they admit, so that there must be international aid to meet this large expense. Some governments make the condition that they must provide housing and jobs for the demobilized soldiers or warworkers before they can take in displaced persons.

All this spells delay, and delay spells despair and deterioration to people in the camps in Germany. Men and women who are excellent material today may be less so in a year, in two years, and their restoration to self-support so much more difficult.

In the midst of this uncertainty it is encouraging that President Truman has struck a positive note in his recent addresses. Secretary Byrnes lately phrased the President's policy. He said that the immigration laws of the United States and other countries should be liberalized with a view to "the admission of displaced persons." The President added that he was prepared to make such a recommendation to Congress.

The President believes that the United States should take its fair share of the displaced persons and that other countries should do their part. The initiative of the United States can be counted on to have an effect with hesitating governments. He has also said that this government is "actively exploring, in conjunction with other governments, the possibilities of settlement in different countries outside Europe for those displaced persons who are obliged to emigrate from that Continent." It is appropriate that the United States government take this step. The great majority of the displaced persons are under the supervision of its army and are being cared for at its expense, and there is the higher reason that the United States thus is following the principles of respect for human rights and the human personality, for which its representatives in the United Nations stood and are now standing.

To carry out the President's policy would mean an orderly immigration at an annual rate taking into consideration the absorptive capacity of our 140,000,000 people and the fact that more than half of the immigrants would be women and children. In liberalizing the immigration laws to deal with the displaced persons it may be remembered that very few permanent

immigrants entered the United States during the war years, so that many fewer came in than the 150,000 allowed to enter under the quota law. If the United States takes its fair share of the displaced persons and spreads the entrants over the next few years, the number will scarcely reach the total of the visas which lapsed during the war period. It is necessary, too, in providing for displaced persons that national quotas shall not be given effect. The present quotas for eastern European countries are small: for Latvia only 236, for Lithuania 386, for Estonia 116, for Poland 6,524; and yet these are the countries from which come most of the displaced persons.

Countries like our own which are considering admitting displaced persons all declare that they make no distinction as to race or religion, so a substantial part of the Jewish displaced persons may find homes in lands overseas or in Europe, but places are not likely to be found for all, and their emigration from Germany is urgent. For most of them Palestine has been the haven of their hopes. They see in Palestine a home land in which they can live secure in their position as citizens and enjoy as Jews the respect of all men, a sensation which in Europe they have been so scornfully denied for many years. The effect psychologically of life in Palestine has been described as magical; it has transformed the refugee children, perhaps the most cynical of all, into orderly members of a society in which they feel they belong and in which they recognize that they have duties as well as rights. We cannot but echo Secretary Byrnes's statement of the President's policy: "In view of the suffering of the displaced Jews in Europe and the approach of another winter, 'substantial immigration into Palestine cannot wait a solution of the Palestine problem and should begin at once.' "

Even though most of them will be eventually repatriated or resettled outside of Germany, it is likely that a great many of the displaced persons will remain there for a period of two or three years to come. During this period camp organization should be so arranged as to give them the best preparation for the freedom. The already developed plan for the greatest possible degree of self-administration in the communities should be extended and the people in the camps given as much respon-

sibility as the nature of the case permits in each camp locality. Stress should be laid on training in the kind of work which may be open to them in countries of prospective immigration, and that great incentive to efficiency in work, a wage for a service given, should be arranged for where possible, either inside or outside of the camps. As German industry increases, a place may be found in it for the displaced persons while awaiting an opportunity to emigrate.

Schools managed and staffed by refugees themselves, with the aid of the experienced workers of the international organizations from the private agencies, should be extended and should be supplied with the books, paper and other material hard to procure abroad, and instruction in languages and customs of possible countries of immigration should be included in the curriculum. If the people in the camps can feel hope for a future of independence and an independent life as free human beings, it may be expected that there will be a reawakening of interest in all the activities which bear on mental and physical betterment in preparation for the new life which lies ahead.

The efforts of individual governments like that of the United States only make more evident the importance of international action and an international agency to meet this international problem. But action must be international. It must be shared by a number of governments, and sharing must extend to contributions for operating expense as well as membership on the governing committee. The United States should be willing to contribute in proportion to its resources and so should the United Kingdom, but the International Refugee Organization would scarcely be international in the true sense if these two Powers paid disproportionate shares of the operating expense. In apportioning the shares of countries consideration should be given to the cost in providing for immigrants they admit, as this is also a part of the solution of the problem.

Not only can a specialized agency like the International Refugee Organization do service in planning and in carrying out the plans for settlement of the displaced persons, but it is needed for another purpose. Many of the displaced persons are stateless, without a government to look out for them in the countries where they may live. The governments of other dissidents may be expected to declare them stateless if they do not return,

as the Soviets did after World War I, and in any case will not protect them. Many dissidents would be unwilling to accept the help of their government, so deep is the political cleft which separates them. An individual without nationality is helpless, unless the organized international community accepts the responsibility of assuring him essential human rights in the only way in which it can be done in the world of independent states, that is through agreement of the governments. Under the auspices of the League of Nations this was done after World War I. In the agreement the governments declare that they are "desirous that refugees shall be ensured the enjoyment of civil rights, free and ready access to the courts, security and stability as regards establishment and work, facilities in the exercise of the professions, of industry and of commerce, and in regard to the movement of persons, admission to schools and universities" Freedom to practice their religion was so well accepted that it was not included. Those who are now advocating a world-wide declaration of human rights may well point to this listing of minimum human rights in an instrument intended to have a practical effect.

Many governments went further and authorized the League refugee organization to send representatives who were allowed to make representations on behalf of the refugees for whom no government would interpose. This is a power which should be vested in the International Refugee Organization, though it could take effect in any country only with the express consent of its government.

There are many displaced persons in other lands than Germany. In Italy there are thousands of Yugoslavs, and others too, who should come under the jurisdiction of the International Refugee Organization. In Shanghai there are sixteen thousand European displaced persons, but few of whom can find a place in that country. There are Polish displaced persons and others in the Near East, and many scattered in other countries. There are the Spanish Republicans who will need help. There is no early end to this complicated world-wide problem. It will require skillful and tactful handling over a period of years. The International Refugee Organization cannot be organized too soon, nor can it be limited too strictly in funds if it is to do the great humanitarian work before it.

The United States has taken the lead in urging that the displaced persons be cared for and that the I.R.O. be set up as soon as possible and supplied with the necessary means to do its work. I think we should all recognize the strong humanitarian as well as the political and economic reasons behind this effort on the part of the United States. I think, too, that it is only reasonable that this country should listen to President Truman's proposal when it comes forward, and that we should make up our minds that we as the greatest and richest country in the world, and one with great opportunities, must be ready to do our part in finding the homes which it will be necessary to find for the displaced persons who cannot remain in Europe.

REMARKS

CHAIRMAN KELLEY: Thank you, Professor Chamberlain.

We come now to the subject that is listed as second on the program, "Trusteeship and the Colonial System". Our speaker was the Assistant Director of the Mandate Section of the League of Nations at Geneva from 1925 to 1928, and he was a member of the United States Delegation to the United Nations meetings in London last winter. Mr. Huntington Gilchrist, of the American Cyanamid Company!

MR. HUNTINGTON GILCHRIST: After reading yesterday's newspapers and attending the session of the Assembly of the United Nations at Lake Success yesterday, I tried to make such revisions as seemed necessary in the paper which I had prepared somewhat earlier. But I believe that in the light of future developments—and there may be rapid developments within the next few days or weeks—some of the comments in the paper may seem unjustified and incomplete.

TRUSTEESHIP AND THE COLONIAL SYSTEM

HUNTINGTON GILCHRIST

Member, United States Delegation to the
Preparatory Commission for the United Nations,
London, 1945

THREE hundred million people live in territories in various parts of the world which are not self-governing. These territories comprise most of the continent of Africa and many of the islands of the Pacific and of the Indian Ocean and the Caribbean Sea.

Two hundred years ago, North and South America, Australia, New Zealand, and large parts of the Middle East were in this same category. The revolutionary movement of the latter part of the eighteenth century was largely one by the white man for the white man. It brought increased self-government not only in colonial territories in the Americas but also in many of the kingdoms and principalities of Europe. The white man was not concerned with freedom for others, and in fact during this period the red man in America, the black man in Africa and the colored races in various parts of Asia came more and more under the domination of the white race.

During the twentieth century, however, the movement for self-government has shown itself among all races and in all parts of the world. Great strides were made during the early years of the century in the British Dominions and also in Cuba and Norway; more recently in Ireland, Iceland, the Philippine Islands, Iraq and Syria. Now we are in the midst of outstanding changes in India, the Dutch East Indies, French Indo-China, Korea and Egypt. Important but less spectacular movements toward self-government are also taking place in Malaya, Burma, Ceylon and in other colonial areas.

These trends toward "self-government" have not, in most cases, represented a coöordinated movement. Individual territories by revolution, evolution, or both, obtained a new status

in relation to the paramount Power concerned. Intervention by a third Power in any important manner was exceptional. Recognition of international responsibility was rare, and this was not formalized until the inauguration in 1920 of the Mandates System under the League of Nations. That system, important as it was in principle, applied only to a small number of non-self-governing territories—those which happened to belong before World War I to Germany and Turkey.

Since World War II, that system in essence has been continued under a new name. Much has been spoken and written of Trusteeship, imbedded as it is in the Charter of the United Nations, and its application to individual territories is now under discussion in the General Assembly in Flushing Meadow. It will not, probably for some time to come, cover as many territories as were covered under the Mandates System. Iraq, Syria, the Lebanon and Trans-Jordan have become independent, the first three being members of the United Nations. South Africa wishes to annex South West Africa; and the United States, in military occupation of the Pacific Islands formerly under Japanese Mandate, has recently made proposals for their future. The Charter, however, was drawn on broad lines, and its territorial scope may later include territories detached from enemy states as a result of World War II, such as the Italian colonies in North Africa, and other territories voluntarily placed under this system. No recruits, however, have yet been sighted.

This brief reference to recent developments toward self-government in various parts of the world gives a perspective which may be useful for an appraisal of the Trusteeship System. Far greater strides toward political and economic independence are being made outside that system, for instance in the Dutch East Indies and Indo-China, than are likely to occur within it, at least in the foreseeable future. That system, however, sets up certain standards for the treatment of non-self-governing peoples which are bound to be regarded as a yardstick throughout the entire colonial world.

In addition, most of the colonial Powers, that is, those which are members of the United Nations, have accepted for the first time in a general international treaty a whole series of fundamental obligations toward their non-self-governing territories

and, in consequence of this, they are already beginning to transmit to the Secretary-General information on conditions in these territories—a new departure in recognition of international responsibility for the welfare of these territories and their peoples.

The United States was the first of the United Nations to forward information of this type on Puerto Rico, Guam, American Samoa, and so forth, to the Secretary-General; and it was largely due to the persistence and idealism of American leaders like Franklin D. Roosevelt and Harold Stassen and the farsighted and careful preparatory work of the State Department group on Dependent Territories, under Dr. Benjamin Gerig, that the Charter deals so effectively with these problems of the colonial world. Strengthened politically by American and Soviet membership, the United Nations should be able to better the record of the League of Nations in assisting native peoples in their political, economic, social and educational advancement.

II

This is the general background. What in fact are some of the advantages (or disadvantages) of Trusteeship in comparison with other forms of administration within the colonial system? Take, for example, "economic advancement". It has been contended that the provisions in the Charter for economic equality for all the members of the United Nations may handicap the development of Trust Territories because a close relationship to one metropolitan Power may often be in the interests of less developed lands especially if such relationships have been built up in the past. The dependence of the Philippine Islands on the American market is an illustration of this. Fortunately, perhaps, the text of the Charter is not rigid on this point and in its action on Trust Agreements the General Assembly will be free to interpret the Charter in the light of different circumstances.

Against objections of this sort that may be raised must be set off advantages offered through the Charter. The United Nations has accepted special responsibility for the Trust Territories. One of its principal organs, the Trusteeship Council, on which will sit representatives of the Big Five and other states, will be concerned solely with these territories. "Economic ad-

vancement of the inhabitants" in the words of Article 76 is one of the objectives of this new system. Colonial Powers have generally, at least in recent times, administered their dependent territories at a loss—and what they have done should not be overlooked. One example is the British Colonial Development Fund of £150,000,000 and the arrangements for regional co-operation of an advisory character represented by the Caribbean Commission and proposed by Australia and New Zealand for the South Pacific Islands. With these standards existing today, the Trusteeship Council should be expected to encourage even greater economic opportunities for the natives under its charge. International loans, for instance, might be raised more successfully with its endorsement, as was done by the League of Nations when it was responsible for the financial reconstruction of Austria and Hungary after World War I. Not only Trust Territories but all non-self-governing territories have become a special interest of the entire United Nations through Chapter XI of the Charter. As Senator Austin stated in his speech in the General Assembly last week (October 30): "The Charter and the institutions of the United Nations provide greater opportunities . . . for the economic, social and political development of dependent peoples toward their full participation in the family of nations . . . than they have ever had before."

This is the positive, dynamic view of the future. It applies to all phases of native life. The Mandates System was largely negative in character. It sought to protect the peoples under its charge in the Near East, Africa and the Pacific from abuses which had arisen in dependent territories in the past. Exhaustive enquiries, such as those undertaken by the Permanent Mandates Commission, into the administration of Syria in 1926 and the attention given to native uprisings in Western Samoa a few years later, brought these difficult situations into the wholesome light of world public opinion. The remedy offered is in part the same as that resulting from hearings in Congressional Committees in Washington. These protective measures should be retained fully under Trusteeship—the extent to which natives are to be used for military purposes should, for instance, be subject to the approval of the United Nations.

Now further progress will be made, for, under the Charter—and from the practical point of view this is the most important

improvement in the Trusteeship System over the Mandates System—the Trusteeship Council may provide for periodic visits to the Trust Territories. No longer will the International Authority (except perhaps in the case of strategic areas) need to depend on reports from others concerning conditions in the territories under the Trusteeship System. This should also make it possible for the Trusteeship Council to act more quickly than the Mandates Commission on the various questions requiring its attention.

Machinery such as this, by its mere existence, should stimulate Administering Authorities to make creditable if not outstanding records. No such incentive applies, for instance, as regards the policies and practices of Portugal in its treatment of natives in Angola and Mozambique. Reports in the past have not always been flattering to this colonial Power. Trusteeship for these territories may not be anticipated but Portuguese membership in the United Nations would call for the circulation annually to all the fifty-odd members of reports on conditions in these territories. Regular on-the-spot inspections could not be arranged but presumably questions could be asked in the General Assembly and its appropriate committees on the fulfillment in these territories of the "Declaration" embodied in Chapter XI. In these various ways, the Charter may be expected to promote native welfare, supplementing the administrative practices of colonial Powers which in many cases have already set very high standards.

Under purely national administration, too, many dependent peoples have advanced and are advancing successfully to self-government. The Philippine Islands have just achieved their independence by peaceful understanding with the United States. For some territories, the road has been more tortuous, as in the Dutch East Indies. In other cases little is known of developments in this direction. Generally, the fate of the inhabitants has been fortuitous, depending on the views of the metropolitan government concerned or on the willingness of the natives to fight for their cause.

Now, under the Charter, all non-self-governing territories of member states have a recognized status in international law. Questions concerning their progress toward self-government can presumably be raised in the General Assembly although

some doubt may exist as to the authority of that body to act on situations which appear to require attention. Action would in any event be limited to the adoption of recommendations unless a threat to the peace were involved.

The position of Trust Territories is far clearer. They have a constitutional status recognized in international law. "Progressive development toward self-government or independence" is one of the objectives, a part of the "Bill of Rights", so to say, agreed upon for each Trust Territory. Iraq, under the similar Mandates System, gained its independence by this legal process. Administering Authorities have an obligation here not only to the inhabitants of the Trust Territories but to all the United Nations. The Union of South Africa has recognized this even in the present transition stage between Mandates and Trusts. Desirous of annexing South West Africa, the Union has apparently given up any intention of unilateral action and is now endeavoring to persuade the General Assembly that their wards, the inhabitants of the territory, desire annexation. Annexation had been suggested previously to facilitate administration and to preclude any possibility of change of the Mandatory and thus make it easier to attract capital for the development of the territory. Administration as an integral part of the Union is provided for in the Mandate and it has been generally recognized that no change of Mandatory or Administering Authority would be permissible without the consent of that Mandatory or Administering Authority except perhaps as a result of a decision of the Court of International Justice that the terms of the Trust had been flagrantly violated. Sir Charles Dundas, a former British Governor of Uganda, in a scholarly and objective review of the situation for the South African Institute of International Affairs, has suggested a "Protectorate" of the Union for the territory. This was on the assumption that "the main consideration [underlying the Mandate] is safeguarding the indigenous population against political or national absorption." Here Sir Charles is, I believe, in error, for the main consideration in both the Mandates and the Trusteeship Systems has been to give the territories and their inhabitants an international status as a protection against such changes as might be brought about under any purely national régime whatever terminology might be used to define it. Any

removal of international accountability in a case like this, except as the result of a careful study of the situation by an International Commission, would greatly weaken the new constitutional structure set up in the Charter in the interests of non-self-governing peoples.

III

In the preceding paragraphs, an effort has been made to sketch some of the more important differences between the colonial system and the Trusteeship System.

To date, however, there is in fact no Trusteeship System because there are no Trust Territories. The system is in the throes of its birth, and the doctors and surgeons, as well as the parents and godparents and their legal advisers, are finding the event a very complicated and prolonged affair. How "blessed" it may be remains to be seen. In any event, these are crucial months for the future of the Trusteeships which are about to be born.

All former Mandatories which are now members of the United Nations, with the exception of South Africa, have drawn up Trust Agreements in consultation with other interested states and these agreements are now receiving attention at Lake Success in the Trusteeship Committee of the General Assembly. The drafts already submitted by the British, French and Belgian governments follow generally the lines of their Mandates. Australia proposes a text with broad sweeping provisions only. New Zealand is more specific. Nothing has yet been proposed for Palestine, as is understandable, nor for the tiny but rich phosphate island of Nauru. Some delay in regard to Palestine is understandable but any prolonged failure to reaffirm in a practical manner the international status of the territory would be open to objection.

Not until the night before last did the position of the United States in regard to the Pacific Islands formerly under Japanese Mandate become clear. Yesterday morning, the *New York Times* published the full text of the proposed agreement under which the United States would govern all these islands as "strategic areas" under Trusteeship. No "strategic areas" have been proposed in any other former mandated territory; and this American plan is bound to cause much debate because

it represents a greater departure from the old Mandates than any other proposals. This development was, of course, provided for in the Charter, but the United States text goes to a greater extreme than was generally expected by labeling *all* the hundreds of islands in Micronesia "strategic areas" and by providing that practical international accountability—annual reports, petitions and visits—might be terminated without notice by the Administering Authority for all or for part of the territory on grounds of security.

It is being said that the United States is in effect annexing the islands contrary to the Atlantic Charter and the Cairo Declaration. If our government should terminate practical international accountability for any length of time and for any extent of territory, there would be much substance in this charge. Such action by the United States can, however, be expected only if the danger of war between the great Powers becomes serious and the security program of the United Nations begins to break down. In other words, the United States proposes that the islands should be treated in final analysis and in the event of necessity as a strategic problem, but that unless and until such treatment should prove to be necessary the normal provisions of Trusteeship should apply. Everything depends here on the way in which the agreement, if approved by the Security Council, is carried out. Our position would be more tenable if all or part of Okinawa and the Bonins were placed under normal Trusteeship as should be done. On the whole, this American plan is unfortunate as a precedent from the point of view of the future of the Trusteeship System, but it is perhaps inevitable in the light of the power politics of the day. It is to be hoped that in any event the United States will recognize the international status of these islands, established in the Treaty of Versailles and the Covenant of the League of Nations (the "sacred trust of civilization") and not attempt to change it by arbitrary, unilateral action or by narrow legal interpretations, that is, without the consent of a body like the United Nations Assembly (or Security Council) representing "civilization".

It should be noted that in the American draft, great care has been taken to spell out in detail the steps to be taken in the

interests of the advancement of the small number of inhabitants in the territory. This is important because, admirable as is the Charter, it is merely, so to speak, the preamble to the constitution of the system. Each Trust Agreement, for instance, may or may not implement every one of the basic objectives mentioned in the Charter, but if this is not done the system in operation will fall short of expectations. Article 87 provides that the General Assembly and the Trusteeship Council shall carry out their functions "in conformity with the terms of the Trust Agreements" and these agreements should, therefore, be explicit on all points. In the advance consultations on the texts now before the General Assembly, the former Mandatory Powers worked generally with each other where this seemed appropriate, and copies of their drafts were also sent to China, the United States and the U.S.S.R. Suggestions made by the United States for improvement in several of these drafts were accepted. It is understood that the Soviet Union, however, has taken no official notice of them. Russia, in the United Nations meetings in London last winter, seemed rather formalistic in her approach to the procedural problems which then and still beset and delay the inauguration of the system. As a great Power which has no Trust Territories and which has not suggested that the Kurile Islands¹ might be so administered, Russia (and also China) can be most helpful in the development of the system because of experience with many different races and peoples within their borders, provided, of course, that their policy is in reality an objective one. This rôle was played in the Mandates System by Germany in pre-Hitler days when Ludwig Kastl represented that Power in the Permanent Mandates Commission in a firm but coöperative and tactful manner, under circumstances which were not altogether easy for him.

Which are the "states directly concerned" with the terms of the Trust Agreements within the meaning of the Charter, and which states therefore have a right of veto here, has never been decided. At Lake Success yesterday, Mr. John Foster Dulles pointed out how complicated this problem is and suggested a

¹ It seems most unfortunate from the strategic and general political angles and from the point of view of the development of the Trusteeship System that the Kurile Islands were not handed over to Russia under Trusteeship instead of under full sovereignty.

relatively simple solution by recognizing the former Mandatory as the only "state directly concerned". The Soviet Union may not like this very *new* suggestion, as approval by a two-thirds vote is all that is required in the General Assembly and the Big Five have no special privileges there. A practical and co-operative attitude on the part of the Soviet Union would help the Trusteeship System to begin to function promptly. Because of the war, it is already seven years since the administration of mandated territories has been in fact subject to international supervision.

More important even than bringing into force promptly satisfactory Trust Agreements for all mandated territories will be the actual methods used in the operation of the system and the personnel assigned to this task both nationally and internationally.

In 1920, the Permanent Mandates Commission of the League of Nations started with almost no instructions as to its method of work, but within a few years it had formulated questionnaires to be used by the Mandatory Powers in preparing their annual reports, had agreed to receive petitions and had drawn up rules to govern their handling, and had arranged for representatives of the Mandatory Powers to appear for the examination of the reports and petitions. All this was pioneering and so effective was it that most of this procedure was written into the Charter of the United Nations at San Francisco.

Improvements have been included in the Charter, especially in the articles which provide for decisions by the highest United Nations authorities by less than a unanimous vote, and for visits to Trust Territories.

If the Trusteeship System is to have the dynamic qualities envisaged at San Francisco, it should also be made clear that the Trusteeship Council may require special reports from the Administering Authorities at any time, that that Council has power not only to review the past administration of the territories but in urgent and important situations to issue instructions as to future administration and function generally as the ultimate authority in regard to all matters basic to the status of the territories and the fulfillment of the Trust.

In each Mandate, it was stated that the Mandatory "shall make to the Council of the League of Nations an annual report

*to the satisfaction*² of the Council." The drafts of the new Trust Agreements are not so precise and the old wording might usefully be continued, especially as neither the Charter nor the new agreements make clear how the United Nations will make its views prevail in case of any possible conflict with the Administering Authority.

Constitutional evolution, as the history of the United States, of the British Commonwealth of Nations, and of other countries shows, is important but slow. As far as possible, basic principles even on points of procedure should be written into the Trusteeship Agreements.

As regards personnel, members of the Trusteeship Council will be representatives of their governments. Decisions will always require the concurring vote of at least one representative of an Administering Authority as half of the members of the Trusteeship Council will represent such Authorities. Here is a sharp break with the Mandates set-up because by its Constitution the Permanent Mandates Commission consisted entirely of experts who served as individuals and not as government representatives, and a majority of these experts had to be nationals of non-Mandatory Powers. The Permanent Mandates Commission was extremely fortunate in the experience, devotion, wisdom and loyalty of its members. If the Trusteeship Council is to be composed primarily of politicians, it may be useful for it to create one or more advisory groups of experts chosen for their individual qualifications.

Under the leadership of Mr. Trygve Lie, the Secretariat is expected to be more than the servant of the other organizations of the United Nations. In general charge of Trusteeship and Information on Non-Self-Governing Territories as Assistant Secretary General is a likable and able diplomat, Mr. Victor Hoo of China, now well supported by a small staff of which the principal members are with the United Nations only temporarily. In addition, he will need associates with experience, without national bias, largely citizens of non-administering states, who will act with him on a permanent basis to appraise all the information from various sources of interest to the

² The italics are the writer's.

Trusteeship Council, to plan the work of that body and guide its activities.

Most important of all for all non-self-governing lands is the choice of personnel for administering them and for supervision at the capital of the governing Power. This subject is seldom given the attention it deserves in government reports on colonial administration, and chapters on this point in the reports transmitted to the Secretary-General under Chapter XI of the Charter would be a desirable and valuable innovation.

Official reports, however, are not sufficient. Analyses and appraisals by competent, disinterested organizations and individuals not handicapped by official status are also needed. Works such as Lord Hailey's on Africa, publications of the Institute of Pacific Relations on Pacific territories, and the local and metropolitan press will help the Trusteeship Council to test the adequacy of its own performance as well as that of the Administering Authorities. In dealing with non-self-governing peoples we are still in the pioneering stage. Here perhaps political science can at least keep pace with the physical sciences more effectively than in the atomic interrelationship of the great Powers.

IV

In general, however, despite the growth of law and political thinking in this field, force, or the threat of force, is still the dominating influence in molding the relationship between the governing and the governed.

Greater and more rapid changes are perhaps taking place today in the Dutch East Indies and Indo-China than elsewhere. Revolution taking advantage of the weakness of the metropolitan Power has brought about a far-reaching transfer in the balance of power. Whether the indigenous peoples are really prepared for such new and larger responsibilities remains to be seen, and the wisdom and disinterestedness of their political leaders have yet to be tested.

Less openly, an underlying shift in the balance of power has been and still is a considerable factor in the rapid political evolution of India, Egypt, Burma, Malaya and Syria. In this group of territories, however, preparations by the metropolitan Powers

concerned and negotiations with local leaders have on the whole in recent years kept ahead of that use of revolutionary force which might otherwise have been seen.

To us in the United States of America and to the comrades of the Soviet in Russia, revolution is dear. Revolution, however, is admittedly ugly and, as in Latin America, has far more often been a failure than a success. If the desirable and reasonable ends of the non-self-governing territories of today can be attained by peaceful means and by the forward thinking of the governing Powers, all concerned would be happier. Perhaps it was primarily experience acquired in the early days of our history as a nation which enabled us to give outstanding leadership in arranging by definite stages for the independence of the Philippines. Britain's early experience with some of her colonies and dominions and the liberal policies of the present Labour Government have resulted in forehanded planning and action to bring most of the territories under her control to maturity by the normal process of direct negotiations between the groups concerned.

On the whole, the result in the Middle and Far East is not discreditable to the guardian Powers. Looking ahead we are concerned primarily with Africa, the Caribbean and the Pacific Islands. Prior experience in the Middle East should guide the evolution of the Arab territories in North Africa toward self-government. Several of the larger islands in the Caribbean under British and United States administration are gradually taking over greater powers of government. In that area, international co-operation of an advisory character has gone further than elsewhere—with the establishment a few days ago of the Four-Power Commission with a permanent Secretariat, and with provision for native representatives to participate in the work done.

In central and southern Africa, and to a lesser extent in the scattered islands of the Pacific because of the smaller populations, lie the longer-range problems of the more primitive peoples. It is in these same parts of the world that the greatest measure of international co-operation is being provided for. Relatively in respect of the areas and populations concerned, Trusteeship is involved to a minor degree, but through this system and the provisions in the Charter concerning all non-

self-governing territories comes a practical opportunity for pooling the experience of, and setting up standards for, all so-called colonial administrations.

In significance this system is, therefore, out of all proportion to its territorial coverage although one cannot anticipate any large measure of self-government in any of the prospective Trust Territories in Africa or the Pacific for many many years to come. The Trusteeship organization might be more helpful to the members of the United Nations if it had responsibility for some of the more volatile of the non-self-governing territories. World-wide experience and concentrated thought and planning will certainly be necessary to deal effectively with Palestine, the former Italian North African territories and Korea which may later come under the Trusteeship of one or more states or of the organization itself as proposed by the United States for Libya.

As was mentioned earlier in this paper, decisions on many vital points for the satisfactory development of the system must be taken in the near future. Here will come tests not only for Trusteeship but for the members of the United Nations, acting as such.

Generally speaking, international administrations of the past have not been outstandingly successful because the sovereign states establishing them have not granted power adequate to the responsibilities imposed. This was true of the League of Nations in many of its fields of work: protection of minorities, political security and, to a lesser extent, economic and financial coöperation. With the founding of UNRRA and the power given to its Director-General, a great step ahead was taken, and in general the central organs of the United Nations and its specialized agencies have been given powers far greater than those held by their counterparts in the League.

Rarely has it been charged that an international authority has possessed too great power or has abused that power.

The real test of the Trusteeship System as of international administration generally lies in the day-to-day willingness of the states directly concerned to strengthen the United Nations in the interests of their own citizens, of other peoples for whose welfare they may be responsible, and of the world at large. Coöperation should prove easier in respect of non-self-governing

territories generally because the vital interests of the metropolitan state are not involved as deeply as in the home territory. In Trust Territories, the Administering Authorities are not sovereigns but guardians responsible to the United Nations for the welfare of the peoples committed to their charge. Decisions to be made in the near future by the various members of the United Nations, especially the Big Five and other prospective administering authorities, in regard to the future of South West Africa, the Pacific Islands formerly under Japanese Mandate, the terms of the Trust Agreements, the composition of the Trusteeship Council, and the power to be granted the General Assembly in dealing with information submitted to the Secretary-General concerning conditions in non-self-governing territories will show how effective the United Nations is likely to be in this whole field in the years to come.

REMARKS

CHAIRMAN KELLEY: Thank you, Mr. Gilchrist.

The fourth subject that we shall consider this morning is "Soviet Economic Policies at Home and Abroad". On this broad subject we have the privilege of hearing Mr. Calvin B. Hoover, Dean of the Graduate School of Arts and Sciences, Duke University. Dean Hoover!

DEAN CALVIN B. HOOVER: The very great width of this subject has presented me with an unusually difficult problem of selection and compression. In the process of selection and compression I have tried to confine myself almost entirely to the economic phases of the subject, and to leave out the political aspects of it. I am afraid that in doing so it is as though I had left out, looking at it from the best point of view, the seasoning of the soup or, looking at it from the worst point of view, the meat stock also.

SOVIET ECONOMIC POLICIES AT HOME AND ABROAD

CALVIN B. HOOVER

Dean, Graduate School of Arts and Sciences, Duke University

Internal Policy

IT would be possible to discuss internal and external economic policies of the Soviet Union simply from the standpoint of the most recent shifts in specific details of economic policy. Turning to more basic elements of policy, one could devote much more time than I have at my disposal to a description and an analysis of policy in the New Five Year Plan with respect to the emphasis on the production of capital goods versus consumer goods, or to the continued emphasis upon increased self-sufficiency through industrialization. One could discuss the relation between these emphases and the Soviet policy of large-scale military preparedness for all eventualities. This policy of economic self-sufficiency, however, represents largely a continuation of pre-war policy in this respect. It seems to me much more useful to use my time in discussing current economic policy with the hope of determining whether or not this policy reflects any change in the fundamental nature of the Soviet economy.

According to Marxist-Stalinist doctrine the present Soviet economic system is a transitional system. This system obviously differs from the fully developed communistic society which Marx had forecast as the successor to capitalism. While Marx never produced a blueprint for the mechanics of operation of the communistic society, we know at least that he supposed that in such a society the state would have "withered away" and that distribution would be according to need. Soviet theoreticians have been able to reconcile the apparently violent contradiction between the communistic system as foreseen by Marx and the actual structure and operation of their own system today by making use of this doctrine of "temporariness".

It is an exceedingly useful doctrine because actual textual support for it can be found in the writings of both Marx and Lenin. Whether either Marx or Lenin would have accepted the almost three decades since the Revolution and an indefinite period in the future as a "transitional period" of reasonable duration is another matter.

What are the basic elements in this "transitional" economic state? Are there evidences of a policy of gradual development toward the Marxian communistic society in which the state will have withered away? Have there been any significant changes in economic policy in this respect during or since the war?

It must be said at the outset that there can be no doubt that even this "transitional" economic system, if it is indeed transitional, has few of the elements of the laissez-faire capitalistic system in it, in spite of some resemblances which are actually superficial. The most elemental characteristic of the Soviet system which marks it as a truly collectivist system is the ownership and operation by the state of all significant means of production. There does exist, indeed, something like true private property through individual ownership of government bonds and consumption goods. Yet the economic rôle of this kind of private property is not great, and it decidedly does not play the rôle which property has played in bourgeois society. It is significant that since the days of NEP there has been no shift in policy designed to increase the rôle of private property in the means of production. On the contrary the development has been almost wholly in the other direction and, in this respect, policy may now be considered static.

The Soviet economic system does indeed retain the price system and it retains the device of profits, both devices which are ordinarily thought of as peculiarly capitalistic. The price system serves the partial rôle of allocating goods to consumers and it serves as a useful basis for the system of cost accounting. It also serves as a part of the mechanism for the payment of functionally differential incomes to members of Soviet society. Whenever widespread rationing has had to be introduced, as during the war, these price functions could be carried out most imperfectly, of course. The price system does not, as under capitalism, determine the allocation of economic resources through the reflection of consumer tastes and desires. Neither

are prices of consumer goods directly or producer goods indirectly determined by "ruble votes" cast by the consumers. Profits likewise do not play the powerful directional rôle in the Soviet economy which they play under capitalism. The profitability of particular industries and enterprises is not an important element in determining whether such industries or enterprises shall be expanded or diminished. Profits simply are one device for encouraging and measuring reductions in costs of production on the one hand and for transferring funds from consumers to the state or its organs on the other.

Instead of prices and profits as the mechanical means for the direction of the economy, the Soviet system substitutes a scheme of economic planning which is all-embracing. Prices and profits are indeed used as an adjunct to planning. Sometimes there may be a conflict between the administrative direction of the state through the planning bureaucracy and the functioning of prices and profits, but in the main the relation is complementary rather than competitive. The evidence indicates that this amalgamation of a system of prices and profits with economic planning and operation by state economic organs is to be continued. Indeed, recent policy, referred to above, by which the prices of rationed goods have been increased while the prices of goods on the unrationed market have been decreased, reflects a determination to restore and strengthen the rôle of prices in the economy through the abolition of rationing.

In contrast to the limited economic rôle of the state under capitalism and to its assumed absence in the final stage of communism, the planning and direction of the economy, under the Soviet system, are carried on by the central authority of a monolithic state. There is no evidence at all that current policy in this respect has been altered or is going to be altered. *It is worthy of the greatest emphasis that, as far as direct worker control of industry is concerned, there is not as much of this control in the Soviet economic system as there is in the present economic system of the United States.* It is not necessary to point out that the management of a particular plant in Soviet Russia is not elected by the workers of that plant, nor indeed by the workers at all, except as the state itself may be considered in some rather esoteric fashion to be controlled by the workers. The management is appointed as part of the state bureaucracy. As far as policy is concerned, there has been an almost con-

tinuous campaign to strengthen the authority of management ever since the late twenties and early thirties when the pre-revolutionary management was almost wholly eliminated.

It is consistent with the general character of the economic system of the Soviet Union that there should be little rôle for collective bargaining as that term is generally understood. According to Soviet doctrine there is no need for collective bargaining on the part of trade unions with management when both management and union leadership are elements in a state in which the non-working classes have been liquidated and in which the state is run exclusively in the interests of the working classes. Consequently wages and hours of labor in particular industries are not determined by the bargaining power of the individual unions but by the decisions of the planners of the national economy, with respect to what is deemed most desirable by the state, after consideration of the relevant economic factors and circumstances.

Indeed, it could perhaps be argued that only in certain stages of capitalism is collective bargaining in its full sense appropriate for an economy. In any case, it is not easy to see how a socialist economic system could permit the distribution of income to be determined by the relative economic power of the various trade unions.

With the disappearance of the collective bargaining function there is a natural tendency for the importance of trade unions to diminish to a state of innocuous desuetude. Recent Soviet policy reflects an effort to rehabilitate the trade unions through strengthening their rôle as the protector of the worker against illegal acts of the management. Thus there have recently been some cases where the trade unions protested against failure of certain managers to pay overtime which had been properly earned. This policy apparently represents an effort to define the rôle of the trade union, not as a possible competitor to the state for economic power, but as an organ of the state in preventing improper actions hostile to labor by particular members of the state bureaucracy. It still remains true that strikes are considered inadmissible and certainly rarely occur.

There is one apparent partial exception to the general rule that the managements of economic enterprises are appointed by the state and not elected by the workers. Theoretically, the management of the *kolkhoz* or collective farm was always

elected by the members of the *kolkhoz*. In reality few peasants would ever have been willing to agree that the management was freely elected. Nevertheless current policy reflects an effort to restore some sort of elective system to the collective farms. Orders have gone out that elections must be held for this purpose. This has been accompanied, however, by a strengthening of the direct control of the *kolkhoz* by the state, which may render these elections largely illusory.

Reference has already been made to one of the basic differences between the principle of distribution of income under the Soviet system and under the system which has always been considered consistent with what has been called either socialism or communism. After several temporary and partial experiences with basing the distribution of income upon need, the directors of the Soviet economy have always returned to the principle of distribution *according to production and status*. Thus, the Soviet principle of income distribution is closer to the capitalistic system *which makes distribution depend upon the value of individual production as determined in the market place and upon the ownership of property* than it is to the distributive principle of socialism. As preparations are made for the elimination of wartime rationing in order to give full weight to differences in income distribution between individuals as an incentive to production, it is apparent that current policy is returning to that which had been clearly marked out during the period before the war.

Turning to another category as reflected in current economic policy, one of the striking characteristics of the Soviet economic system is the way in which the system of planning and of centralized direction has prevented depressions and has prevented the existence of unemployed resources. Given control of the distribution of national income, fiscal policy, investment, wage rates, prices, the monetary system and indeed of all the elements in the economy, the problem of full employment of resources presents no serious difficulties. The problem of the socially most useful and effective utilization of such resources is quite another matter, however, and in this respect the advantages of a centrally planned and directed economy over a laissez-faire economy are highly doubtful if we may judge from the Soviet experience.

Furthermore, while the prevention or cure of unemployment and depression is quite simple in a Soviet type of economy, the danger of inflation is always more real. This flows out of the circumstance that, from the standpoint of national planning, global underemployment of resources is likely to exist only if there is an underestimate of the potential volume of production. Planners can always think of useful and even grandiose ways in which to allocate limited national resources. Since people in general want their wages and salaries increased, as well as their leisure, while they are always anxious to have prices of goods and services lowered, as well as anxious that the deductions by the economic system in the form of taxes for all purposes should be as low as possible, it is usually more likely that economic planners will err in the direction of disbursing more income than the planned utilization of the national resources will warrant. In periods during which economic pressures are great, as during periods of wartime, inflation is very likely to occur, just as it does under capitalism for some of the same reasons and for other reasons also. Nevertheless the most recent reports on developments of economic policy, particularly with respect to fiscal policy, indicate that anti-inflationary methods are to be used to reduce the wartime overissue of circulating media. It will be interesting to observe whether the Soviet economic and political system will be more or less successful than our own in dealing with this problem.

External Economic Policy

The external economic policy of the Soviet Union likewise remains substantially unchanged from the pre-war period. However, the enormously expanded political and economic importance of the Soviet Union in world affairs means that this policy will exert a far greater effect upon world trade than was previously true. The foreign-trade policy of Soviet Russia now not only affects the greatly extended territory of the Union itself but determines the policy of Europe east of the line Stettin-Trieste. Furthermore, as we see in the case of Sweden, the foreign-trade policies of other countries which are not a part of the Soviet bloc are likely to be profoundly affected by their trade relations with Russia.

It is not easy to disentangle the forces in the foreign-trade policy of Soviet Russia which are determined simply by the character of her economic system and those which are the result of great-Power politics in the international arena. In general, before the war Soviet Russia followed the policies and used the mechanism of foreign trade, appropriate for a nation with a fully collectivized and planned economy which was endeavoring to develop a high degree of national self-sufficiency by means of a huge program of industrialization carried on under forced draft. For such an economy the existence of a state monopoly of foreign trade does not reflect so much a particular decision with regard to foreign-trade policy as it reflects simply the fundamental character of the economic system. It would be utter fantasy to suppose that there could exist free trade between a nation with a fully collectivized economy and other nations in the sense in which the term "free trade" has been used in the past. The essence of free trade was that it depended upon trade between individuals or at least between small trading units in different countries. Once trade becomes between nations acting as economic units, most of the meaning falls out of the concept of free trade. Under such circumstances nations, for example, might decide to exchange more or less goods with each other but the decision to trade more would not mean that such a nation had decided to follow a policy of free trade.

Consequently the external economic policy of Soviet Russia, aside from international power politics and the general expansionist policy being pursued, is in one sense only a simplified form, adapted to the particular and even peculiar needs of one very important country, of the kind of economic policy which could be expected to develop if the United Kingdom became a fully collectivized country. One of the obvious problems which economists are going to have to work out is how international trade may be most effectively carried out among countries having fully collectivized economies, those having only partially collectivized economies and those whose economies are still largely uncontrolled. Working out such a *modus operandi* would be far from impossible, although economists have by no means solved all the problems which are bound to arise. At the moment not much progress is being made in working out a solution of this problem as it applies directly to international eco-

nomic relations between Russia and the Western Powers, not because of the inherent technical difficulties but largely because of existing international political tension.

The Russians participated in the Bretton Woods Conference which resulted in the setting up of the International Monetary Fund and the International Bank for Reconstruction and Development. In the draft agreements which came out of that conference ingenious compromises had been made in order to bridge over the differences between economic policies and mechanisms appropriate for countries with partially controlled economies and those with largely uncontrolled economies. Less attention was given to the problems of trade and finance of these countries with fully collectivized economies such as that of Soviet Russia. It was not precisely apparent just how the Russians might be expected to make use of the Fund, for example. One of the functions of the Fund was to provide a degree of stability in the exchange values of national currencies. The Russians, however, had very little need and probably no desire to use the ruble as an international currency.

In a more fundamental sense, however, the Fund was intended to finance temporary "unbalances" in international trade with a view to the eventual correction of these unbalances. In this sense the Russians might have been expected to have a real interest in the Fund and indeed to be able to secure substantial advances from the Fund. There is strong likelihood furthermore that the Fund could have been developed in such a way as to meet any basic problems which might have arisen out of the particular character of the Russian economy.

These remarks with respect to the potential usefulness of the Fund apply more cogently in the case of the Bank. There do not appear to be any very serious problems which would arise in connection with making the resources of the Bank available for loans to a fully collectivized economy such as that of Soviet Russia. Indeed, in some respects the problems of making loans would be simplified.

Nevertheless the Russians have not chosen to participate in either the Fund or the Bank. The Russians are not represented at the Preparatory Committee for the Conference on International Trade and Employment now meeting in London. Instead there is developing a whole series of points and areas in

which the foreign-trade policy of the United States and that of Soviet Russia are coming into conflict. This conflict also exists between the policies of the British and the Russians. There is an important difference, however. The United States is "carrying the ball" in trying to restore as nearly as possible the kind of freedom of international trade which existed before World War I. This is not to imply that the United States is advocating a policy which is hopelessly out-of-date, for our representatives are making every effort to adapt our policy of freedom of trade to present-day conditions. It is nevertheless a fact that the United States is much more dynamically opposing bilateral trading agreements, bulk purchases, exchange controls and the like than are other countries.

As a consequence it is the United States which is found as the most active opponent of the foreign-trade policy of the Soviet Union in specific cases such as the Swedish-Russian trade and credit agreement, the question of free trade on the Danube, exclusive agreements for participation in industries in the countries of eastern Europe by the Soviet government, and the like. The Soviet Union counters this opposition on our part by denouncing our so-called policies of free trade by terming them schemes for the economic enslavement of weaker countries and by proclaiming our loans to these countries to be a part of the same program of exploitation.

There is no sense at all in hoping that the Soviet Union may some day be induced to embrace the principles of free trade. It has been pointed out that this would be inconsistent with the basic nature of a collectivized economy. On the other hand, it would not be at all inconsistent with the nature of the economic system if the Soviet Union were to decide to rely more upon the international exchange of goods and services and to follow a less drastic policy of national self-sufficiency. Whether this will happen or not depends primarily upon international politics rather than upon strictly economic considerations. There are no signs of such a development in current Soviet economic policies. I repeat that a largely new technique for international trade between economies with various degrees of state control needs to be developed in the future. Beginnings in studying this problem are being made now. Once the problems of inter-

national politics are in course of solution such problems of techniques are not likely to offer insuperable barriers to expanding world trade.

In conclusion, current economic policy in the Soviet Union affords evidence of a decision to return to the kind of economic system which had developed in Russia in the period before the war. There is no indication whatever on the one hand of any "retreat to capitalism" on the model of NEP, nor on the other hand of any intention to guide the evolution of the economic system toward the kind of communistic society envisioned by Marx. The present economic system does not resemble any of the primitive types of communistic societies which have existed, any more than it resembles the utopias of the philosophers. It is interesting to note that Soviet theoreticians nowadays evidence a marked degree of sophistication in their analysis of it. This means that there has evolved a distinct type of economic system in the world which gives evidence of permanency and which does not fit easily into the categories which have been generally recognized in the past. It is not necessary to emphasize the importance to the world of this development.

PART IV

MILITARY POLICIES AND PROBLEMS OF THE UNITED STATES

INTRODUCTION *

WILLIAM L. RANSOM, *Presiding*

Trustee of the Academy of Political Science

ON behalf of the Academy of Political Science I have the privilege of welcoming you to this, the fourth, session of this notable meeting. This afternoon's session brings to a close our symposium on "The Development of a Working International Order—Political, Economic and Social".

I need not remind any of you who have been familiar with these meetings that the Academy selects speakers who are entitled to speak and subjects upon which they are qualified to speak. The Academy does not espouse particular views, and does not take definitive action or make recommendations in the forum of public opinion.

Our topic this afternoon is the vital and climactic one of our series, "The Military Policies and Problems of the United States". I am sure that we are both honored and fortunate in having those who have come here to discuss this subject.

Our first speaker is now the Commanding General in charge of America's unique, forward-looking air university at Mont-

* Opening remarks at the Fourth Session of the Annual Meeting.

gomery, Alabama. His career in the service of his country has been notable, both in war and in peace. With respect to his particular subject of the afternoon, which is "America's Military Rôle in the United Nations", I bring to your attention the fact that he was one of the American delegates at Dumbarton Oaks, and one of the military advisers for the American delegation during the great San Francisco Conference which produced the Charter of the United Nations.

It is my pleasure on behalf of the Academy, to present to you Major General Muir S. Fairchild.

AMERICA'S MILITARY ROLE IN THE UNITED NATIONS

MAJOR GENERAL MUIR S. FAIRCHILD

I MUST state at the beginning that the views and opinions expressed on "America's Military Rôle in the United Nations" are mine alone and do not necessarily represent the official views and opinions of the War Department or the Army Air Forces.

When the United States Senate ratified the charter of the United Nations, the United States thereby undertook certain international military commitments. It is my purpose* briefly to examine the nature of those military commitments and their bearing on the problem of developing a working international order.

First let us factually examine the nature of the military rôle in the United Nations to which the United States has committed itself. The Charter of the United Nations provides that all members of the United Nations undertake to make available to the Security Council, on its call and in accordance with a special agreement or agreements, armed forces, assistance and facilities, including rights of passage, necessary for the purpose of maintaining international peace and security. Such agreement or agreements must be negotiated as soon as possible on the initiative of the Security Council and shall govern the numbers and types of forces, their degree of readiness and general location, and the nature of the facilities and assistance to be provided.

It is also provided that in case the Security Council decides enforcement measures, not involving the use of armed force, are inadequate or have proved to be inadequate, it may take such action by air, sea, or land forces as may be necessary to maintain or restore international peace and security. Article 45 further provides that:

In order to enable the United Nations to take urgent military measures, members shall hold immediately available national Air Force contingents for combined international enforcement action. The strength and degree of readiness of these contingents and plans for their combined action shall be determined, within the limits laid down in the special agreement or agreements referred to in Article 43, by the Security Council with the assistance of the Military Staff Committee.

The Charter makes quite plain that the Military Staff Committee referred to, consisting of the Chiefs of Staff of the permanent members of the Security Council or their representatives, is a subordinate advisory group of the Security Council, established for the purpose of furnishing the Security Council with expert military advice and assistance. The only positive rôle conferred upon the Military Staff Committee by the Charter is that of being responsible for the strategic direction of any armed forces that may be utilized. It should be noted, however, that such strategic direction is under the control of the Security Council. It is plain, therefore, that the Military Staff Committee, as a purely professional military advisory group, is not the determining factor in our military rôle in the United Nations. Obviously the real object of our interest is the Security Council itself, which exercises final authority in all matters involving the employment of armed forces by the United Nations.

It is plain, from this recital of the provisions of the Charter of the United Nations, that the United States is committed to the negotiation of a special agreement or agreements as soon as possible, under which we must undertake to make available on the call of the Security Council armed force contingents of a size, composition and state of readiness to be prescribed in the agreement. In order to enable the Security Council to take urgent measures, the air force contingent is placed in a special category. Because of the great speed, flexibility and radius of action of air forces, we are committed to the maintenance of a portion of our air force contingent in a special state of readiness immediately available to the call of the Security Council. Finally, it is plain that the Security Council at its discretion and on its call will exercise full control, with the advice and assistance of the Military Staff Committee, of such contingents as we may agree to provide.

What is the true meaning of these commitments which we have undertaken and what is likely to be their effect on the final

development of a working international order? In attempting to answer these questions, it is necessary to examine particularly two fundamental factors: first, the present distribution of world military power; and second, the prescribed procedure and functioning of the Security Council.

A true appraisal of the facts of the world distribution of military power is fundamental to an understanding of the military rôle of the United States in the United Nations. It seems to me that it is also fundamental to any realistic approach to the overall problem of the final development of a working international order.

The United States has never been a military nation. We are not accustomed to thinking, and do not like to think, along military lines. Doubtless that explains the general tendency in this country to minimize the fundamental importance of this factor of the world distribution of military power. In writings in this country on the United Nations and the general problem of developing a working international order, little mention seems usually to be made of the tremendous inequalities that exist in the world distribution of military power. Instead, much emphasis is placed on the first principle laid down in Article 2 of the Charter: "The organization is based on the principle of the sovereign equality of all its members."

By this form of words, all member nations are declared to be, and therefore by general agreement become, juridically equal. But no form of words can change the physical facts of the actual distribution of military power throughout the world and thus bring all nations into a status of military equality.

The idea has been advanced that equality of military power might be achieved by universal disarmament, but this seems to me to confuse the form with the substance. The true source of military power lies not so much in the actual possession of armaments as in the man power and industrial capacity which permit the creation and maintenance of armaments. Thus in 1929 Germany stood almost completely disarmed, yet in 1939 she was able to undertake the greatest war in history. In 1935 the United States stood far down the list of nations in available armament, yet by 1945 she had become a giant in military power. It is then this inherent capacity to create and maintain great armaments to express military power with which we are

concerned. It is the inequality which exists among nations in the distribution of this inherent capacity which creates the difficulties that must face any attempt to preserve world peace through the actual use of armed force.

The past war resulted in a major redistribution of world military power. The former list of so-called "great Powers" has been drastically curtailed. Many of them appear to have vanished from the scene for the foreseeable future. We have emerged into a condition where a very great proportion of all world military power, both actual and potential, is concentrated in three nations, the United States, Russia and Great Britain. It is worth while noting in passing that, although some fifty nations declared war on the Axis, a great proportion of the final decisive military effort necessarily was contributed by these three Powers alone.

The Charter of the United Nations is an agreement among the governments of the member nations. Throughout this agreement the greatest emphasis is placed on the obligations of member nations to settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered and to refrain from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

It is apparent that if this agreement is carried out faithfully by all member nations, little occasion should arise in which the military commitments of the member nations need be invoked for the purpose of enforcement action. It is only when the plain intent of the agreement is violated, either willfully or because of a firm conviction as to the righteousness and justice of a national cause, that the possibility of military action by the United Nations is likely to arise. Even in such a case many powerful enforcement actions, short of the use of armed force, are provided, such as pressure by diplomatic, financial, economic and other means. Therefore it would seem that the military rôle of the United States in the United Nations is apt to come into play only if the agreement has broken down in greater or less degree between two or more of the member nations under the strains to which it will be subjected.

The possibility of such a breakdown in the agreement of course will always be present. Any agreement, whether for the

United Nations, for a World Government or what not, will stand only so much strain. From before the dawn of history, when problems between groups of men could not be resolved by reason or logic there has been resort to force for their settlement. This has been true in the past despite agreements, and we must therefore contemplate the possibility of resort to force in the future despite agreements to the contrary.

In considering this matter we in this country might well ponder our own history. The states of this nation entered into an agreement embodied in the Constitution of the United States. It worked well and carried our country united through the strains of two wars. Yet after nearly three quarters of a century of practical functioning the agreement broke down under the strains to which it was subjected and resort was had to armed force to settle problems which could no longer be resolved by reason or logic. But for the accident of distribution of military power the agreement would not have prevailed. Even so, four years of bitter war were required before it did prevail.

There seem to me to be implications in this historical incident of possible application to the problem of enforcing peace throughout the world by the actual use of international armed forces. The Union possessed the right to raise and employ armies and in fact possessed the only real army. But it was powerless to prevent the outbreak of a major war. Furthermore, at the outbreak of the struggle this force nearly disintegrated with the resignation of many of the best and most capable personnel who proceeded with their knowledge and training to organize the forces of the seceding states. It seems apparent that agreements, even though backed by armed force, cannot positively and certainly prevent war if dissident parties to the agreement feel, whether rightly or wrongly, that their inherent capacity is such as to give good hope for success in the struggle.

If a situation should ever arise in which enforcement action by the Security Council might seem warranted, it must fall into one of two sharply defined categories. Either the concepts of the great Powers coincide and they are in agreement, or their concepts are divergent and they therefore cannot agree among themselves as to the desirability of enforcement action.

Under the Charter of the United Nations enforcement action can be undertaken only in the first case—when the great

Powers, permanent members of the Security Council, are unanimously agreed. However, it is difficult for me to visualize a situation in the foreseeable future in which the great Powers are in unanimous agreement as to the necessity for a certain course of action, but where the actual employment of military force to achieve that course of action would be required. It is difficult to believe that one of the smaller nations could withstand the tremendous pressures available to a united and agreed Security Council or be so rash as to challenge the completely overwhelming military power that would be at the disposal of such an agreed Council.

If the Council cannot agree, then the military aspects of the United Nations cannot be invoked. This provision of the Charter recognizes the world distribution of military power to be so unequal that from the strictly military point of view one of the giant Powers might defy the edict of a divided Security Council with at least some hope of success. It must be recognized that an attempt to coerce one of the giant Powers against her firm will and considered decision by the actual employment of armed force in all probability would result only in another terrible world war—a war waged, not by some detached, remote international armed force, but by all the people, every man, woman and child, of the remaining great Powers. It must be understood that the great bulk of the smaller nations of the world would be able to contribute materially no more to such a struggle than they were able to contribute to the war against the Axis.

Although the foregoing discussion would seem to indicate that actual employment of our armed force contingents by the United Nations is quite unlikely in the foreseeable future, it must not therefore be assumed that their contribution is unimportant or lacking in significance. Our contribution of these armed force contingents constitutes the physical backing of our pledge of united action with the other members of the United Nations. They stand as the earnest of our firm intention to participate fully and completely in the United Nations, to make it a working, functioning organization, to support it and perhaps to develop it at last into the organization which will abolish war forever from the earth.

REMARKS BY THE CHAIRMAN

CHAIRMAN RANSOM: We thank you very much, General Fairchild, for this very clear explanation of the elements which enter into America's military coöperation in the United Nations.

Our next speaker of the afternoon is a man who has been of great service to his country in the interpretation of military matters, not only concerning armaments and the size of armed forces and operations on land and sea, but also in terms of the broad relationship between an intelligent public opinion and an effective military policy.

Most of us have for years read with pleasure and instruction and profit Major George Fielding Eliot's contributions to the *New York Herald-Tribune*, which, I believe, have been a great public benefit. We are honored and pleased to have him with us this afternoon to contribute to this forum. His topic is the vital one of "Regaining America's Military Strength". I have the honor to present to you Major Eliot.

REGAINING AMERICA'S MILITARY STRENGTH

GEORGE FIELDING ELIOT

New York Herald-Tribune

IT may well seem to many Americans a distressing paradox that we have just won a victory in the greatest war of history, a complete victory to which we made a major contribution, and yet, having completely overthrown our enemies, we are required to maintain greater military forces than ever before in the peacetime history of this republic.

It is already apparent, however, that our people do recognize, perhaps somewhat belatedly, the vital necessity of maintaining a just balance between our military power and the commitments of our policy beyond the confines of this nation. Some of these commitments General Fairchild has already spoken of, our precise and clearly stated commitments under the Charter of the United Nations.

We have other commitments, however, implicit in the policy of maintaining the peace to which our signature to the Charter committed us. These commitments too are being felt more and more strongly by Americans throughout the country.

I have just completed a trip which has taken me into many of the states of this Union, to the Pacific Coast and back, and I find practically no trace of the feeling which was so strong ten years ago, which was expressed in the words, "We have no business over there."

That feeling and the ideas that lay behind it appear to be dead. We appear to have turned definitely from the negative and defensive ideas of which the Monroe Doctrine was the expression, and which served us so well for more than a century. We appear now to have turned definitely to the positive, and you might almost describe it as the offensive, policy of maintaining peace in the world through the medium of coöperation with others, if we can and as far as we can, but alone if we must, in the interest of self-preservation of this nation, in the interest of the survival of every individual in it.

We must consider, then, not only our particular and stated commitments under the United Nations Charter, but the implication of the world conditions which made the Charter necessary and which, following rapidly one upon another, have made it essential that every people which possesses power should consider the manner in which that power may be used, in order to enable that people to survive, until such time as there shall be established a peace of law and justice responsible to the conscience of a world community. That we have not yet established such a peace, unhappily, the events that have taken place since the close of the war remind us almost daily. But science and the application of science to the business of killing have imposed upon us the grim and inexorable necessity of finding a means to preserve our national life and our individual lives, until the fulfillment of Tennyson's dream of the Parliament of Man dawns upon us in all its glory.

At the close of every war that this nation has fought, we have had what might be described as a military recession. After the Revolution our military forces virtually disappeared, being cut down to a detachment of 80 men. After the War of 1812, the War with Mexico and the Civil War, there was virtually a complete disintegration of the military forces which had been temporarily gathered together to fight those wars.

The attitude of the people and their representatives in Congress seemed to be that this would be the last time we would ever need an army, and that we had better get rid of our forces as rapidly as possible. During this entire period, and until the time of the Spanish war, we maintained virtually no navy comparable with either the extent of our coastline or the necessity for defending our shipping in foreign parts.

After the Spanish war there was some change. We began then to be a world Power; we began to look outward a little bit. The Spanish war gave us the Philippines. We fought an overseas campaign clear across the Pacific. We had been learning from the writings of Mahan the importance of sea power to this nation. After the Spanish war we maintained a regular army three times the size of that which had preceded it. It was only a change from 25,000 to 75,000 men, but it was considerable for those days. We created a general staff and a war college. We reorganized the National Guard, and we began under the

wise leadership of Theodore Roosevelt to develop American sea power, so that in a comparatively few years we rose from the last among the great naval Powers of that time to be second only to Great Britain.

We did not go much beyond these accomplishments and, when World War I came upon us, we had a considerable navy, but not much in the way of an army establishment. After World War I we followed the will-o'-the-wisp of universal disarmament. We tried to adjust our sea power by agreement with other nations and then failed even to build up to the limits set by the naval limitations treaty. We permitted our army again to wither away.

We passed an excellent piece of legislation in the National Defense Act of 1920, but permitted it to be emasculated by successive reductions of military appropriations, until there was scarcely anything left of it but a framework upon which our citizen forces might be built up in time of emergency.

Then came World War II. Again we had a lesson in the fact that a weak America is not a preventive of international trouble. Again we had to build very hastily a military establishment behind the protection of distant allies and of oceans which we and they contrived to control. Again we sent our forces outward from our shores as we had in World War I, to fight offensively on lands beyond the sea. This time we were really hurt. This time the price we paid was very heavy.

Now, at the end of that war we find ourselves faced with the old problem of rebuilding some kind of permanent military establishment with a sufficient reserve of strength behind it to enable it to be effective in an emergency. We find ourselves faced with time limits of an entirely different character from anything we have ever had before. We find, in other words, a necessity for an instant readiness on the part of a considerable portion at least of our military strength. We find ourselves under considerations of time and distance in which hours or even minutes may make the difference between victory and defeat. No longer can we wait while our allies hold the ring and while we prepare an unready nation to meet the shock of war.

Under these exigencies we are undertaking for the first time the maintenance of peacetime armed forces aggregating some-

thing like a million and a half of men, very largely by voluntary enlistment. The dimensions of this task have not yet been fully appraised. I doubt very much if those who have in charge the military programs know as yet whether they can get that many men by voluntary enlistment, or whether they can secure all the necessary reënlistments for long-term non-commissioned officers and specialists, so essential in this highly technical age for all branches of the military forces. But in one manner or another we are going to have to maintain a force not merely to defend the coasts and borders of this country, but capable of assuming a constant position of offensive readiness, as the only possible deterrent to any who may be contemplating an appeal to arms as a possible solution of political or economic difficulties. I am speaking now of that possible disagreement among the great Powers to which General Fairchild referred, and the need for an adequate deterrent.

Remember that in 1917 and again in 1941 an appeal to arms against the interest of this country was made by powerful nations whose military advisers calculated they would achieve their ends before we could interfere with them, that we were too weak, too unprepared and perhaps too divided among ourselves, too pacifistically minded to do very much about it, before, in the one case, the Germans had brought Great Britain to her knees with unrestricted submarine warfare, and before, in the other case, the Japanese consolidated themselves in their great East Asian empire. Both calculations were wrong, but in both cases it took a war to prove them wrong.

The one deterrent against the outbreak of a major war by any such future calculator must be a position of such unchallengeable military readiness on the part of the United States that no one can possibly assume that the making of war against this country, which has twice proved the last reserve of freedom, can be attractive.

As to the lesser threats to peace which may from time to time arise in various parts of the world, and which could if the great Powers were in agreement be dealt with either by the contingents at the disposal of the Security Council, or could be dealt with without the use of such contingents in most cases, we still have a difficulty in that respect, for most of the smaller Powers are in one way or another associated with, or dependent

upon, or look for protection to, one of the great Powers. This is particularly true of some of these smaller Powers which might conceivably create difficulties in various parts of the world, or might seek to confront an unready or uncertain international order with an accomplished fact, for which unfortunately there is ample precedent at the close of the last war. If the great Powers are not agreed either in the Security Council or in the Council of Foreign Ministers, which is charged with the establishment of that peace which it will subsequently be the duty of the United Nations to maintain—if the great Powers are not able to act swiftly and in agreement, then such difficulties may occur. The peoples who are determined that the seeds of a new war shall not be sown in this fashion, and that no precedent shall be set for the overturn of international agreements by force, or for the use of force to anticipate them, may have to act unilaterally, as we have acted, or at least have been ready to act in the Mediterranean during the past few months. The maintenance of forces adequate for this purpose becomes also a responsibility, temporarily we may hope, of the American military establishments.

Fortunately in these matters, the greater as well as the lesser, we have an admirable strategic position in the continent of North America. We have the closest sort of coöperation, military and political, with other nations of like purpose and like determination, and particularly the nations of the British Commonwealth. Between us we have virtually all the sea power in the world, and by far the greater part of the long-range air power, and most of the industrial and technical and scientific development in new weapons, though other nations are of course doing something along these lines. We are for the time being in a position to maintain the peace of the world by ourselves, that is, with our English-speaking associates, if we must. We do not like this. There is something slightly revolting about this idea to the American mind. People say, to whom I have talked about this sort of thing, "Well, that is dominating the world just as Russia has charged us with. That is tyranny." Actually it is not, provided we use our power responsibly, not for our own advantage, but to carry out the principles of the United Nations Charter to which we and more than fifty other nations are signatories, that the affairs of the world, the disputes

and difficulties between the nations of the world, shall be settled peaceably and by negotiation and not by the use of force.

As long as our force is both predominant and mobile, that is, as long as it can reach into virtually any corner of the globe and there act effectively, it can be a very strong support to international peace and justice during this interval, this crucial interval between the close of the last war and the establishment of the peace which that war was fought to win.

I hope that we will be very careful to make it clear always that we are acting in accordance with the principles to which virtually the whole world is signatory. But we must face the realities of the situation. Self-preservation is, after all, the first law of nature. The weapons which are now at the disposal of warring man can destroy him. If the history of the past is any guide, it is only by the use of power, by the use of force in the support of law and reason, that the unreasonable and the predatory can be prevented from seeking advantage over their neighbors.

As the United States regains its military position in the world, rebuilds its armed forces to those levels which are necessary for the discharge of these tremendous duties, it will be supported, as long as it adheres to the straight and narrow path of principle and right, by public opinion, reinforced by the inexorable need of self-preservation, in saying to the world: We must build a lasting peace; we want to do it together with every other people on this earth, but we will do it alone if we must.

REMARKS BY THE CHAIRMAN

CHAIRMAN RANSOM: On behalf of the audience, Major Eliot, I want to thank you for this very realistic statement.

In connection with the last topic and last speaker of the afternoon, your Chairman finds himself after all tempted to speak when he might better be silent, and perhaps to say some things which ought not to be said. I shall say them upon my own responsibility, or irresponsibility, as a private citizen.

I think it is well known to all of us that, during the years of World War II and before, the friendship and the practical teamwork between the United States and Canada became even closer than ever before and was a considerable factor in advancing the success of the Allied forces in many lands and on many oceans. Indeed, I think it might even be said, generally, that the coöperation between the United States and Canada seemed closer at times than it is between our national government and some of our states, and possibly also that between the Dominion government and some of its provinces.

The topic of the next address is "Protecting the North American Frontier". I shall leave it to the distinguished spokesman of Canada to explain to you what frontier he means. But I know that you and I have already rejected in our own minds the idea that it means the boundary between the United States and Canada. It is a very common notion in the United States that for countless generations there have been complete amity and friendship along this invisible boundary across which the hands of friendship are so constantly extended. But whenever I go to Canada, as I often do, I see what is left of old forts and blockhouses, and earthworks and canals and roadways, that were built by the men of Britain and the men of Canada for the purpose of making war on the United States. I recall from my boyhood days in upstate and western New York the same thing on this side. I often stand at the foot of monuments in Canada or the United States where the blood of men and women of our tongue was shed in battles waged between the two countries. That was long ago, but even after that we had a national Presidential campaign in this country that was conducted on the paramount issue of a boundary between the United States and Canada, and our peace-loving slogan, on which that campaign among our electorate was won, was "Fifty-four-forty or fight!"

It is fortunate—and I think that we have a living example for the world here in North America—that two great nations which once were not too friendly, whose people once fought each other and killed each other in war, have now for a great many years learned how to maintain peace without guns or forts along our border or navies on our Great Lakes, or without the slightest thought in the minds of either, except that any differences which may arise may either be settled around a conference table or may be settled through courts or special arbitration tribunals.

When I look back over the long record of the coöperation of the United States and Canada, I am not too pessimistic about the power of time to bring solutions of other issues, if men and women of good-will from what seem to be opposing countries back up their governments with insistence that ways of peace and coöperation shall be found.

It is a great pleasure and an unusual honor that the Academy has this afternoon in extending a welcome to General A. G. L. McNaughton. He was one of the leaders in the days when the young men of Canada went across the Atlantic and the battle in Britain was bitter and uncertain. Then Canada's contribution stood out like a flame in the night, alongside England's own efforts. After those trying days General McNaughton came back to an important post in his own country. He is now the Canadian Delegate on the United Nations Commission for Control of Atomic Energy. More important for our particular subject of the afternoon, he is chairman of one of the great instances of this international coöperation, the Canadian-American Joint Board on Defense. It is our good fortune that he has come here to tell us what he will of the steps which have been taken jointly by this country and by Canada in the realization that after all, if war should ever come again to the world, Canada and the United States will be involved directly and deeply, and that what is done for the protection of civilization and law and justice on this continent will be done by Canada and the United States hand in hand. General McNaughton!

PROTECTING THE NORTH AMERICAN FRONTIER

GENERAL A. G. L. MCNAUGHTON

Chairman, Canadian Section, Canada-United States Permanent Joint Board
on Defense; Canadian Delegate to the United Nations
Commission for Control of Atomic Energy

THE subject on which I am to speak is "Protecting the North American Frontier".

North America includes, within its confines the separate nations of Mexico, the United States and Alaska, and Canada. I think that it is clearly in accord with the developing relationships between the nations occupying this continental region that the question of the protection of their collective interests should be raised for discussion by this Academy of Political Science.

In bygone years, and indeed until quite recently, when anyone referred to frontiers in North America it brought to mind the divisions between nations rather than the outer boundary which embraced them all.

Now very definitely within the area of North America, and I hope increasingly in other areas throughout the world as well, the public mind has come to regard war with their immediate neighbors as inconceivable, and so, most fortunately, this contingency no longer enters into the consideration of the particular relations of the states concerned. In fact the problem of the protection of boundaries between adjacent territories in North America has long since disappeared, which is a happy solution of what otherwise might have been a very difficult and expensive matter.

As between the United States and Canada we have been accustomed through more than a hundred years of peace to think of our common boundary, at the least, not in terms of hostile actions. We began this process in 1817 with the Rush-Bagot Agreement, a self-denying ordinance for mutual disarmament on the inland waters of the St. Lawrence basin.

Then for many generations, our statesmen, on all relevant occasions, spoke of "our three thousand miles of undefended frontier" and this I think came to express, not a military idea, but the thought that we were quite satisfied there would be no interference of any sort by one country in the affairs of the other.

In 1909 we took another important step in harmonizing our relations by establishing the International Joint Commission which dealt particularly with boundary waters questions, but also gave us an instrument for the peaceful adjustment of any differences which might arise.

The transition from the negative conception of two states whose interests were entirely separated by a frontier to a recognition of the need for positive association between our countries in defense was expressed in Mr. Roosevelt's declaration in August 1938 that "the United States will not stand idly by if domination of Canadian soil is threatened" and Mr. King's reply that "We, too, have our obligations as a good friendly neighbour and one of them is to see" that "enemy forces should not be able to pursue their way, either by land, sea, or air, to the United States across Canadian territory."

These statements were followed in August 1940 by a joint declaration by the Prime Minister of Canada and the President of the United States establishing the Permanent Joint Board on Defense. This agreement marks the culmination of a long association in developing harmony between the peoples of the United States and of Canada. It does not represent any alliance formed as a threat to other peoples. It is designed rather as a permanent and sensible piece of machinery to ensure our continued existence in safety on this continent as the world moves forward to a new order to be based, we hope eventually, on friendship and good will between all nations.

The setting up of the Permanent Joint Board on Defense is a recognition of the fact that Canada and the United States share many interests which under modern conditions continue to develop with ever-increasing acceleration. This particularly applies to defense where, with the remarkable progress of the last two decades in the application of science to war, distance has lost its former attenuating effect on the problems of international relations. We must realize not only that continents

are now within aircraft and rocket missile range of one another, but that they have become the geographical units in which most questions of defense must be stated. Effective arrangements for the defense of the territory of one nation have become a matter of vital concern to all other nations of that continent.

In addition to being a nation of the American continent, Canada is also a member of the British Commonwealth of Nations, and she holds to that association with all the firm conviction which has marked the course of our history since early times. She holds to that association, not as any dependent colony of a central authority in London, but as a nation in her own right, exercising full sovereign powers, but happy to co-operate in all matters which make for peace and orderly progress in the Commonwealth and in the world.

There are some who see a difficulty in reconciling our position as a nation on the American continent with our membership in the British Commonwealth, but I do not share this anxiety.

In the first place, I believe that fundamentally the real interest of the member nations of the British Commonwealth are very close to those of the United States; both stand firmly for peace. In the second place, I think we are a practical people ready to deal with each question as it arises on its merits and on the basis of the facts. We see no fundamental reason for conflict in interest, and you can be quite sure, with our deep concern for the welfare of each of these great associations of peoples with whom we are so intimately linked, we will devote ourselves on every occasion to promoting unanimity in view.

It is very satisfactory to know that in the Charter of the United Nations set up at San Francisco provision has been made for developing security on a regional as well as on a world collective basis. Both are important and whatever we can do to promote the one will help also in the other.

Apart from the short land frontier with Central America, from which direction no possible danger is to be apprehended, the frontiers of North America are the Atlantic and Pacific Oceans and the North Polar Sea. It is only across one or more of these expanses of water, or of ice, that any significant threat to the security of this continent would come and I assume that

what is required, in answer to the question given in the subject for this address, is to discuss the form and scale of such possible threats, their place in space, and in time; and the means which should be developed by which they could be met.

It is clearly not possible in the limited time available this afternoon to marshal these factors in a closely reasoned account, but I will endeavor to make a few observations on some of the more important considerations as I see them. I would emphasize that what I have to say represents my personal opinions alone.

The first question on which a conception must be formed is the source of a possible aggression against the frontiers of North America.

Having regard to the potential military and industrial strengths of the countries of the world as they exist today and as they may reasonably be projected some years into the future, it is clear that the only possible source of trouble which could threaten the safety of North America would be some combination of forces in Europe and Asia which had extended its dominance to the oceans to the east, to the west and to the north.

As matters stand at present such a consolidation of power does not exist, and, as prevention of catastrophe is many times more valuable than cure after the event, I say that the first provision for the protection of North America lies in developing international coöperation not only in the realm of security, but also for dealing with the vital political and economic questions whose solution will serve to unite instead of dividing the world.

The medium through which these matters may be developed and brought to full effect is the United Nations, and it is through this organization that ways have been opened for peaceful progress which, we may hope, will transform opposing interest and suspicion into coöperative endeavor and mutual confidence and thus bring about, for all nations of the world, a relationship similar to that which we enjoy between Canada and the United States.

There is a wise old saying that "the strong man armed keepeth the peace" and this is as true in relation to nations, and regional groups of nations, as it is for individuals.

The application of this axiom to our present position is that if we are strong in defense and conscious of our strength, we can go forward without anxiety to do those things which may make war impossible; in the opposite case, it may be expected that constructive action will again be paralyzed by timidity and fear or by indifference.

The factors which make for military strength have varied from country to country and from age to age. Sometimes it has been possession and skill in the use of a particular weapon; sometimes an advantage in movement or in communications; sometimes the stimulation of a great leader or a great cause; sometimes, though not often in history, it has been numbers that have given advantage.

Today the military strength of this continent rests on very special circumstances which exist here on a scale unmatched elsewhere throughout the world.

Our young people, on whom the future depends, are most highly educated; they have been familiar since their earliest years with mechanism in all its forms and uses; they have shown inventive abilities of the highest order and capabilities in research which are unexcelled; there is facility in organizing to handle the largest enterprise; there is discipline when the occasion requires, and courage in action and capacity to endure adversity have been proved beyond dispute.

Behind these priceless human and moral resources North America possesses the most comprehensive mass production industry in the world; with ample supplies of most key materials required in peace or war; and, for any potential shortages, capacity to develop acceptable substitutes; capacity too of perfecting and rapidly producing the newer and the better weapons of war as the occasion may require.

It is not on numbers in the armed forces that we in North America depend for defense against any possible aggression, but on the more highly skilled and perfectly equipped forces by sea and land and in the air which our special advantages make possible.

In other words, in the event of armed conflict it is on "quality" forces and on "quality" weapons that we should place reliance. It is important that this be well remembered

down the years and particularly by those entrusted with the conduct of negotiations for reductions in world armaments.

I think that in the period between World War I and World War II we learned the bitter lesson that unilateral disarmament is a delusion. So too would be a surrender of any of our special weapons of great power until we have acceptable assurance through mutually applicable safeguards and an international system of inspection which carries our confidence that they, or their like, will not be used against us.

In these matters the safeguards which we now possess are not something which we could retain if we ceased to progress; then most certainly we would soon be overtaken and surpassed. Therefore, I say that until the United Nations can effectively assume the task of maintaining world peace and security, the continued production and further improvement of all weapons are vital to the prevention of aggression against us by making impossible any likelihood of success.

I conclude these remarks on "Protecting the North American Frontier" by saying that I believe that, until effective disarmament can be brought about, we will continue to need this deterrent to attack against ourselves and this assurance to all peace-loving nations that North America remains strong and well able to help them. It must be the earnest hope of each one of us that effective disarmament will become, not a mere pious hope, but a practicable goal toward which the United Nations will steadfastly progress.

REMARKS BY THE CHAIRMAN

CHAIRMAN RANSOM: Thank you, General McNaughton, for this message to us from Canada.

That concludes the program of the afternoon, and the meeting of the Academy. On behalf of you all, I thank again all the speakers, and I declare this meeting adjourned.